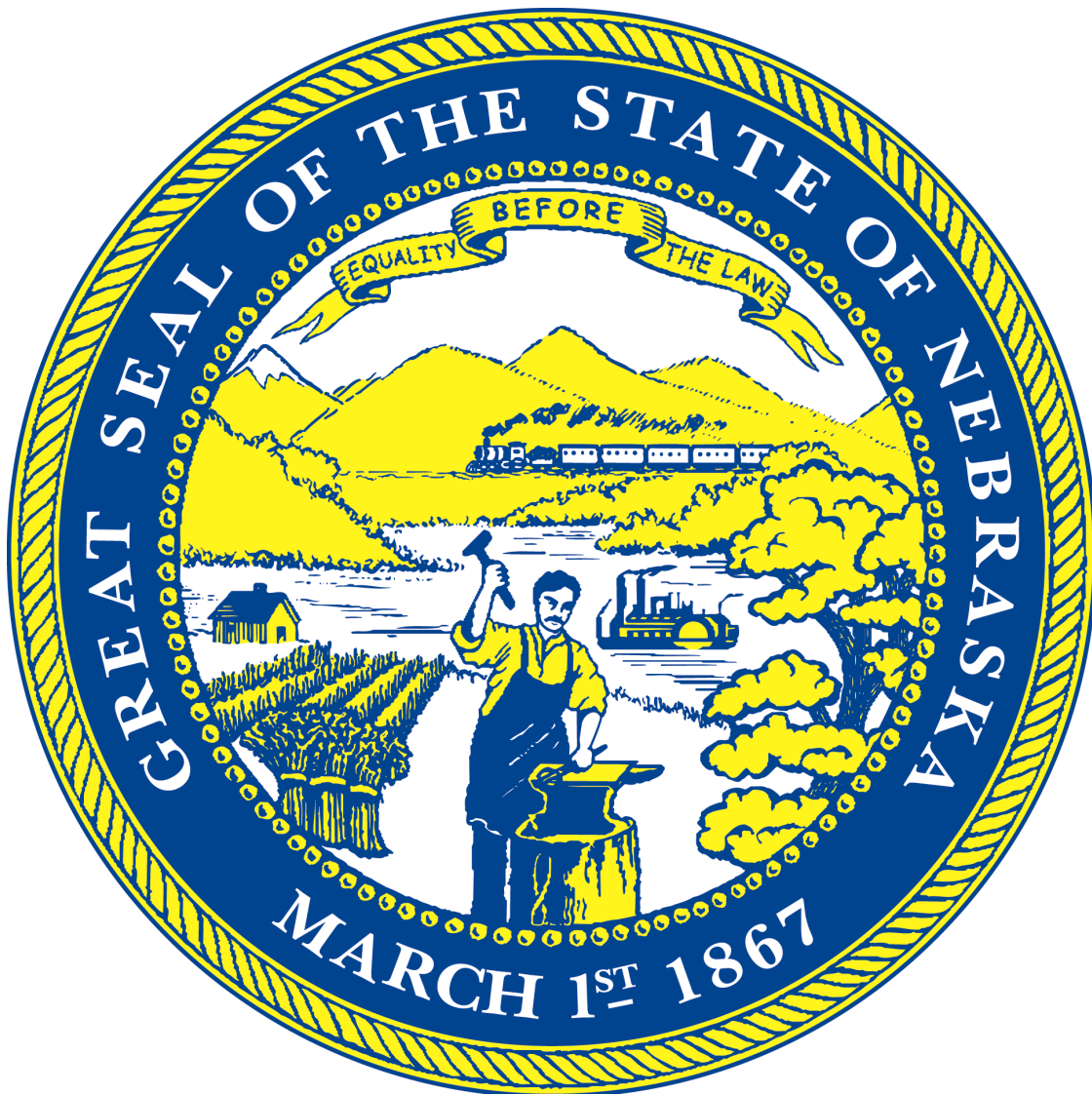


# State of Nebraska

## *Comprehensive Annual Financial Report*

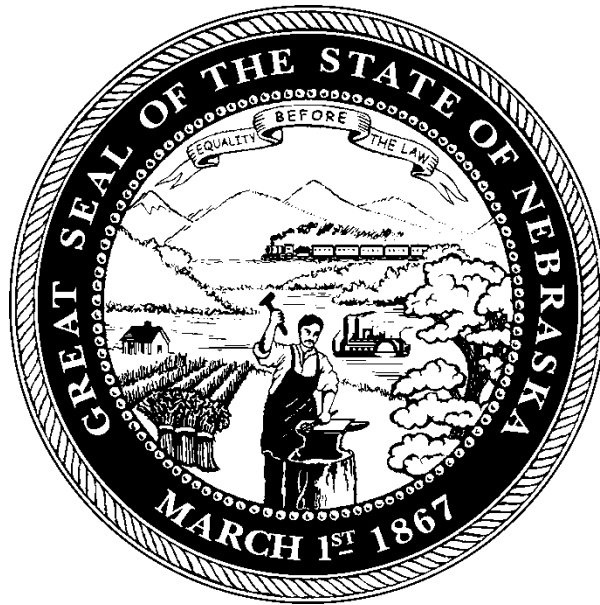
Fiscal Year Ended June 30, 2016



# State of Nebraska

## Comprehensive Annual Financial Report

Year Ended June 30, 2016



**Pete Ricketts**

*Governor*

**Administrative Services**

**Byron Diamond**

*Director*

**Jerry Broz**

*State Accounting Administrator*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2016

**TABLE OF CONTENTS****INTRODUCTORY SECTION**

	Page
Selected State Officials.....	4
Transmittal Letter from Administrative Services .....	5
Organizational Chart.....	9
Certificate of Achievement.....	10

**FINANCIAL SECTION**

Independent Auditor's Report .....	12
Management's Discussion and Analysis .....	15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	31
Statement of Activities .....	32
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	34
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Position .....	35
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds .....	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds to the Statement of Activities .....	37
Statement of Net Position – Proprietary Funds .....	38
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	39
Statement of Cash Flows – Proprietary Funds .....	40
Statement of Fiduciary Net Position – Fiduciary Funds .....	42
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	43
Statement of Net Position – Component Units .....	44
Statement of Activities – Component Units .....	45
Notes to the Financial Statements	
Summary of Significant Accounting Policies .....	46
Deposits and Investments Portfolio.....	50
Receivables.....	59
Capital Assets.....	60
Interfund Balances.....	61
Accounts Payable and Accrued Liabilities.....	62
Noncurrent Liabilities .....	62
Lease Commitments .....	63
Obligations Under Other Financing Arrangements .....	64
Governmental Fund Balances .....	64
Contingencies and Commitments.....	65
Risk Management.....	65
Pension Plans.....	66
Bonds Payable .....	75
Restatements.....	76
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	78
Budgetary Comparison Schedule – Cash Funds .....	79
Budgetary Comparison Schedule – Construction Funds.....	80
Budgetary Comparison Schedule – Federal Funds .....	81
Budgetary Comparison Schedule – Revolving Funds.....	82
Notes to Required Supplementary Information for Budgetary Comparisons .....	83
Information about Infrastructure Assets Reported using the Modified Approach .....	84
Schedule of State's Proportionate Share of the Net Pension Liability .....	85
Schedule of State Contributions .....	86
State Patrol Retirement Plan Schedule of Changes in the Employers' Net Pension Liability .....	87

---

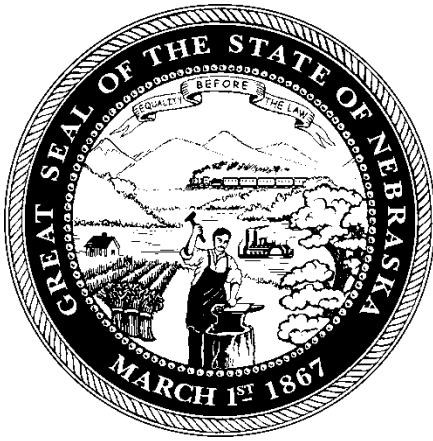
## TABLE OF CONTENTS (Continued)

### FINANCIAL SECTION (Continued)

State Patrol Retirement Plan Schedule of Employer Contributions .....	88
Judges' Retirement Plan Schedule of Changes in the Employers' Net Pension Liability .....	89
Judges' Retirement Plan Schedule of Employer Contributions .....	90
State Employees' Retirement Plan Schedule of Changes in the Employers' Net Pension Liability .....	91
State Employees' Retirement Plan Schedule of Employer Contributions .....	92
Notes to Required Supplementary Information for Pension Plans .....	92
Combining Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds .....	104
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Governmental Funds .....	105
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	106
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Special Revenue Funds .....	108
Combining Balance Sheet – Nonmajor Permanent Funds .....	110
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Permanent Funds .....	111
Nonmajor Enterprise Funds	
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	114
Combining Statement of Revenues, Expenses, and Changes in	
Fund Net Position – Nonmajor Enterprise Funds .....	115
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	116
Internal Service Funds	
Combining Statement of Net Position – Internal Service Funds .....	118
Combining Statement of Revenues, Expenses, and Changes in	
Fund Net Position – Internal Service Funds .....	120
Combining Statement of Cash Flows – Internal Service Funds .....	122
Fiduciary Funds	
Combining Statement of Fiduciary Net Position – Pension Trust Funds .....	126
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds .....	128
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds .....	130
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	131
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds .....	132
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	133

### STATISTICAL SECTION

Net Position by Component .....	137
Changes in Net Position .....	138
Fund Balances - Governmental Funds .....	143
Changes in Fund Balances - Governmental Funds .....	144
Individual Income Tax Rates .....	146
Individual Income Tax Liability by Income Level .....	147
Taxable Sales by Industry .....	148
Ratios of Outstanding Debt .....	149
Comparative Unemployment, Nebraska and United States .....	150
Population, Personal and Per Capita Income, Nebraska and United States .....	151
Ten Largest Employers .....	151
Public and State Operated School Enrollment, Prekindergarten-Grade 12 .....	152
Public Higher Education Institutions Total Fall Headcount Enrollment .....	152
Full Time Equivalent Permanent Employees by Function .....	153
Operating Indicators by Function .....	154
Capital Asset Statistics by Function .....	155
Miscellaneous Data .....	156



# INTRODUCTORY SECTION

---

# SELECTED STATE OFFICIALS

As of June 30, 2016

---

## EXECUTIVE

**Pete Ricketts**

Governor

**Mike Foley**

Lieutenant Governor

**Doug Peterson**

Attorney General

**Charlie Janssen**

Auditor of Public Accounts

**John A. Gale**

Secretary of State

**Don Stenberg**

State Treasurer

## JUDICIAL

**Supreme Court of Nebraska**

Michael G. Heavican, Chief Justice

William B. Cassel, Justice

Jeffrey J. Funke, Justice

Max J. Kelch, Justice

Lindsey Miller-Lerman, Justice

Stephanie F. Stacy, Justice

John F. Wright, Justice

## LEGISLATIVE

**Galen Hadley**

Speaker of the Legislature

Nebraska Unicameral (49 Senators)



December 15, 2016

The Honorable Pete Ricketts, Governor  
Members of the Legislature  
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the “State”) for the fiscal year ended June 30, 2016. This report is the primary means of reporting the State government’s financial activities. The State of Nebraska’s financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the State’s financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the State was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State’s separately issued Single Audit Report.

The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model’s objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management’s Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 members elected on a non-partisan ballot. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 9.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system checks each expenditure to ensure the appropriation and allotment are not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 78 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 79 through 82.

## **FACTORS AFFECTING FINANCIAL CONDITION**

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

### ***Current Revenue Outlook***

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent 94 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2016 decreased \$64 million from the prior year, indicating that the Nebraska economy may be in correction.



For the fiscal year ending June 30, 2016 the State's General Fund ended the fiscal year with a cash and investments balance of \$1,336 million. The balance had exceeded \$800 million dollars for the prior eight years.

The current forecast for fiscal year 2017 anticipates net receipts in the General Fund to increase about \$87 million, a 2.0% increase over fiscal year 2016. No significant changes in revenue are anticipated in the other funds.

### ***Economy of the State***

The University of Nebraska-Lincoln Bureau of Business Research and the Nebraska Business Forecast Council remain cautious in forecasting Nebraska's economic future. The Council is projecting moderate growth for both the national economy and for Nebraska. The Council's June 2016 State forecast is shown on the following chart. The agriculture sector is a major force in the Nebraska economy. Farm income reached near record levels in 2013, and then dropped significantly in 2014 and 2015 along with commodity prices. Livestock prices also began to fall in mid-2015 driving a continued decline in farm income into 2016. However, Nebraska farm income is projected to adjust to normalizing commodity prices by the end of 2016, begin to grow in 2017, and then fall back slightly in 2018. Annual nonfarm income is projected to grow in the 4% range for 2016 through 2018 while employment continues to grow in the 1.2% to 1.3% range as population growth remains modest. Growth in vehicle sales and non-motor vehicle taxable sales is expected to produce growth in overall net taxable sales through 2018.

	ACTUAL			PROJECTED		
	2013	2014	2015	2016	2017	2018
<b>Nonfarm Employment:</b>						
Annual Totals	980,400	992,900	1,006,300	1,018,300	1,031,500	1,044,000
Growth Rates	1.2%	1.3%	1.3%	1.2%	1.3%	1.2%
<b>Nonfarm Personal Income:</b>						
Annual Totals (in millions \$)	79,566	83,152	87,002	90,506	94,438	98,393
Growth Rates	-0.5%	4.5%	4.6%	4.0%	4.3%	4.2%
<b>Net Taxable Retail Sales Growth Rates:</b>						
Total	5.1%	3.2%	1.3%	2.2%	3.3%	3.8%
Motor Vehicle Sales	4.1%	4.7%	3.8%	3.9%	4.2%	4.1%
Non-motor Vehicles Sales	5.3%	3.0%	1.0%	2.0%	3.2%	3.8%

### ***Long-term Financial Planning***

The State always is looking at least four years out in its analysis of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2018 and 2019. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Revenues for fiscal years 2017, 2018, 2019 and 2020 are projected to increase by 2.0%, 3.3%, 4.2% and 6.3%, respectively. Note that the 2.0% projected growth for fiscal year 2017 comes after a 0.07% growth in fiscal year 2016.

Higher than projected tax receipts have historically boosted the state revenue forecast, the recently completed fiscal year 2016 being an exception. By operation of law, any revenue above the certified forecast is used to rebuild the cash reserve, which is intended to supplement weak revenue during recessionary periods. The potential for relatively large annual growth in expenditures for school aid and Medicaid presents a challenge in preparing a budget that keeps expenses within projected revenue. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

### ***Major Initiatives***

Major initiatives are to grow Nebraska by creating opportunity through more effective, more efficient, and customer focused state government. Priorities include efficiency and effectiveness, customer service, growth, public safety and reduced regulatory burden.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2015. This was the twenty-fifth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

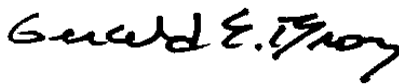
The 2016 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

Respectfully submitted,

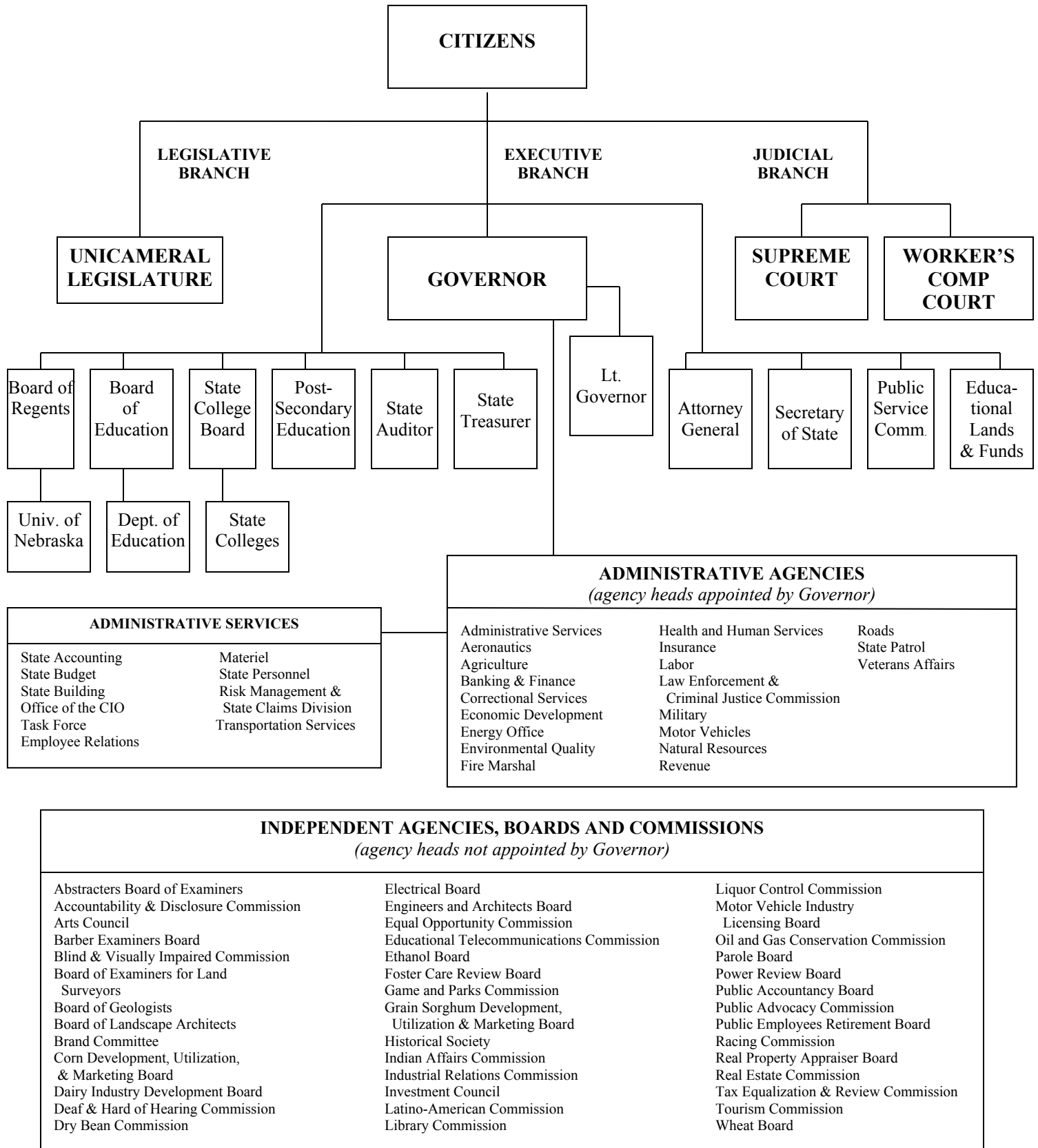


Byron L. Diamond  
Director, Administrative Services



Gerald E. Broz  
State Accounting Administrator

# Nebraska State Government Organization Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

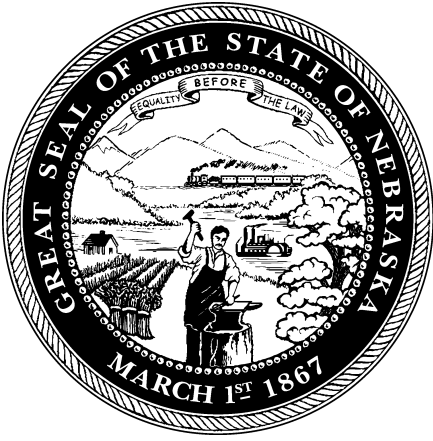
**State of Nebraska**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



## FINANCIAL SECTION

---



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)

### Independent Auditor's Report

The Honorable Governor,  
Members of the Legislature and  
Citizens of the State of Nebraska:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, the Nebraska State College System Foundations, the activity of the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, which represent 44%, 36%, and 22%, respectively, of the assets, net position or fund balances, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the College Savings Plan which represents 20%, 21%, and 17% of the assets, net position or fund balances, and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it

relates to the amounts included for the aggregate discretely presented component units and the aggregate remaining fund information for the College Savings Plan is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Nebraska Foundation, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, the Nebraska Utility Corporation, the Nebraska State College System Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State of Nebraska's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Nebraska's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 28, the Budgetary Comparison Schedules on pages 78 through 82, the Information About Infrastructure Assets Reported Using the Modified Approach on page 84, and the Information About Pension Plans on pages 85 through 101, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance

with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nebraska's internal control over financial reporting and compliance.

Lincoln, Nebraska  
December 15, 2016

  
Philip J. Olsen, CPA, CISA  
Audit Manager



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented one new standard in 2016 required by the Governmental Accounting Standards Board (GASB) that had an impact on the June 30, 2016 financial statements. Statement No. 72, *Fair Value Measurement and Application*, enhances financial reporting by requiring measurement of fair value using a consistent and detailed definition and accepted valuation techniques with disclosures of the impact of fair value measurements on financial position. There was no restatement of prior year amounts as a result of implementing this statement. The State also implemented the following three new standards in 2016 that had no impact on the June 30, 2016 financial statements. Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, improves the usefulness and reporting of information about pension plans. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, provides guidance on the hierarchy of the sources of accounting principles used to prepare financial statements. Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost-based fair value measurement.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2016 along with an analysis of the State's capital assets and long-term debt related to capital assets.

## FINANCIAL HIGHLIGHTS

### Government-wide:

The assets and deferred outflows of the State exceeded its liabilities and deferred inflows at June 30, 2016 by \$12.9 billion (presented as "net position" in the CAFR). The majority of the net position is represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net position, unrestricted net position was reported as \$1.1 billion, most of which is available to be used to fund future needs of the State. The primary government's net expenses exceeded net general revenues, contributions and transfers for 2016 resulting in a decrease in net position of \$28 million. This decrease in net position follows an increase in 2015 of \$300 million.

### Fund Level:

General Fund revenues for 2016 were \$166 million below the original budgeted amount and below the final budget by \$112 million. Expenditures were \$420 million less than the original budgeted amount and below the final budget by \$314 million. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had \$24 million in excess revenues prior to a legislatively mandated property tax relief transfer of \$202 million in addition to other financing sources causing a decrease in fund balances of \$216 million, and thereby decreasing the fund balance on June 30, 2016 to \$1,128 million. Other governmental funds expenditures exceeded revenues by \$27 million, chiefly due to market changes. In addition to these operating changes, other governmental funds received \$89 million in net other financing sources. This \$62 million net increase resulted in raising such fund balances at June 30, 2016 to \$2,698 million.

The \$488 million of net position of the Unemployment Insurance Fund represents 83% of the enterprise funds. Such fund had a \$24 million increase in net position for 2016 compared to a \$5 million increase in 2015, an increase in growth of \$19 million. Business assessment fees collected from employers exceeded the unemployment insurance claims in 2016. Business assessment fees from employers, net of unemployment insurance claims was up 33% over 2015.

## **Long-term Liabilities:**

Long-term liabilities shown on the government-wide financial statements totaled \$813 million at June 30, 2016, which is a \$95 million increase from the prior year, primarily due to an increase in net accrued pension liability. The remaining liabilities consist of claims payable for workers' compensation, medical excess liability, capital lease obligations, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due to employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post-employment benefits, except for a very small number of employees.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

### **Government-wide Financial Statements**

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* (page 31) presents all the State's assets and liabilities with the difference between the two reported as "net position." Changes in net position over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 32 and 33) presents information showing how the State's net position changed during the reported year. All changes in net position are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Trust Funds, are not included in the government-wide financial statements.

### ***Primary Government***

**GOVERNMENTAL ACTIVITIES** – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent 95% of all activity of the primary government. It includes general government; education; health and social services; public safety; transportation; regulatory services; and economic development and assistance.

**BUSINESS-TYPE ACTIVITIES** – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

### ***Component Units***

DISCRETELY PRESENTED COMPONENT UNITS – These are separate entities for which the State has financial accountability (in which the State provides over one-fifth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State’s only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

## **Fund Financial Statements**

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State’s operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 34) provide detailed information about the State’s major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State’s funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

***Governmental Funds Financial Statements*** – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds financial statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State’s finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State’s near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the government-wide financial statements and the governmental funds financial statements (see pages 35 and 37).

The State of Nebraska’s governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

***Proprietary Funds Financial Statements*** – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net position reported in these statements as Enterprise Funds will be identical to the net position reported in the net position for business-type activities in the government-wide financial statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

***Fiduciary Funds Financial Statements*** – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Trust Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 13 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and contributions from State participants received by the College Savings Plan. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

### **Component Units Financial Statements**

As mentioned in the discussion of the government-wide financial statements, the State has included the net position and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate component unit statements to allow the reader to analyze each of these two units separately beginning on page 44.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 46.

### **Required Supplementary Information**

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure, and certain pension plan actuarial information.

### **Other Supplementary Information**

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

## **FINANCIAL ANALYSIS OF THE STATE AS A WHOLE**

### **Net Position**

The State's assets and deferred outflows of resources totaled \$15,118 million at June 30, 2016 as compared to \$15,089 million at June 30, 2015, as restated. As total liabilities and deferred inflows of resources only totaled \$2,253 million, net position amounted to \$12,865 million as of June 30, 2016. As of June 30, 2015, these amounts were \$2,196 million and \$12,893 million, respectively, as restated. By far the largest portion of the State of Nebraska's net position (68 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net position is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. It is also not available for future general government spending.

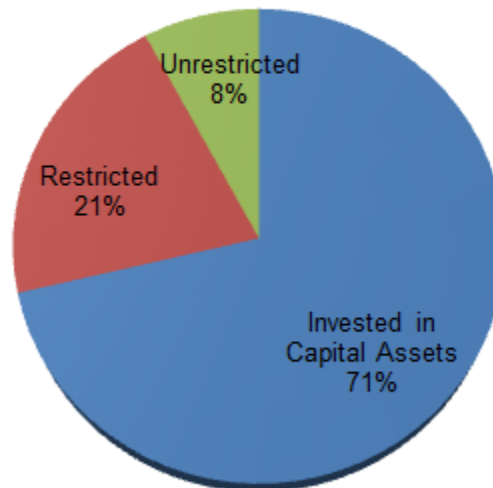
For Governmental Activities other than capital assets, the majority of the restricted net position consists of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net position for business-type activities chiefly represents cash set aside for future unemployment insurance benefits.

**STATE OF NEBRASKA**  
**Net Position as of June 30**  
*(in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and Other						
Non-current Assets	\$ 5,450	\$ 5,701	\$ 644	\$ 628	\$ 6,094	\$ 6,329
Capital Assets	8,792	8,689	7	7	8,799	8,696
<b>Total Assets</b>	<b>14,242</b>	<b>14,390</b>	<b>651</b>	<b>635</b>	<b>14,893</b>	<b>15,025</b>
<b>Deferred Outflows of Resources</b>	<b>225</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>64</b>
Non-current Liabilities	788	691	25	27	813	718
Other Liabilities	1,225	1,248	41	47	1,266	1,295
<b>Total Liabilities</b>	<b>2,013</b>	<b>1,939</b>	<b>66</b>	<b>74</b>	<b>2,079</b>	<b>2,013</b>
<b>Deferred Inflows of Resources</b>	<b>174</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>174</b>	<b>183</b>
Net position:						
Net Investment in Capital Assets	8,758	8,674	7	7	8,765	8,681
Restricted	2,553	2,501	490	466	3,043	2,967
Unrestricted	969	1,157	88	88	1,057	1,245
<b>Total Net Position(as restated)</b>	<b>\$ 12,280</b>	<b>\$ 12,332</b>	<b>\$ 585</b>	<b>\$ 561</b>	<b>\$ 12,865</b>	<b>\$ 12,893</b>

**Governmental Activities**  
**Net Position - Total \$12,280 million**



Approximately 76% of the State's non-capital assets consist of cash and investments. It should be noted that \$95 million in 2016 and \$139 million in 2015 of such assets represent "Securities Lending Collateral," an amount established in accordance with GASB guidelines to record a lending transaction. Since the asset is offset by a corresponding equal liability, the effect on net position is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 17% of the non-capital assets.

Liabilities largely reflect three groupings which represent 96% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payable

and accrued liabilities totaling \$684 million in 2016 (\$703 million in 2015); tax refunds payable of \$399 million (\$381 million in 2015); and long-term payables, discussed in the following paragraph.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Position presents few long-term liabilities (shown as noncurrent liabilities), which total \$813 million in 2016 (\$718 million in 2015). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, capital lease obligations, unemployment insurance, and employee health insurance totaling \$99 million in 2016 (\$105 million in 2015), Medicaid claims for \$209 million in 2016 (\$176 million in 2015), the State's liability for pension funds of \$337 million in 2016 (\$289 million in 2015), and the calculated amount for vested sick leave due to employees when they retire and accrued vacation of \$132 million in 2016 (\$132 million for 2015). Another minor amount of long-term liabilities consists of capital lease obligations (See Note 8 to the Financial Statements), which totaled \$35 million at June 30, 2016, compared to \$15 million at June 30, 2016.

The \$52 million decrease in net position of Governmental Activities for 2016, was due to a \$84 million increase in the net investment in capital assets, a \$52 million increase in restricted net position, and a \$188 million decrease in unrestricted net position. The major source of the decrease was a \$15 million decrease in taxes collected.

At the end of June 30, 2016, the State reported a positive balance in all of the three categories of net position.

### **Changes in Net Position**

The condensed financial information on the following page was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the year. Following that table is management's analysis of the changes in net position for 2016, analyzing both the governmental activities and the business-type activities.

# STATE OF NEBRASKA

## CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 617	\$ 612	\$ 295	\$ 284	\$ 912	\$ 896
Operating Grants and Contributions	2,719	2,648	-	-	2,719	2,648
Capital Grants and Contributions	-	3	-	-	-	3
General Revenues						
Taxes	4,961	4,976	-	-	4,961	4,976
Unrestricted Investment Earnings	145	89	16	12	161	101
Miscellaneous	2	1	-	-	2	1
<b>Total Revenues</b>	<b>8,444</b>	<b>8,329</b>	<b>311</b>	<b>296</b>	<b>8,755</b>	<b>8,625</b>
<b>EXPENSES</b>						
General Government	632	548	-	-	632	548
Conservation of Natural Resources	144	150	-	-	144	150
Culture - Recreation	37	32	-	-	37	32
Economic Development and Assistance	100	108	-	-	100	108
Education	1,800	1,724	-	-	1,800	1,724
Higher Education - Colleges and Universities	676	651	-	-	676	651
Health and Social Services	3,478	3,350	-	-	3,478	3,350
Public Safety	409	408	-	-	409	408
Regulation of Business and Professions	118	125	-	-	118	125
Transportation	1,096	982	-	-	1,096	982
Interest on Long-term Debt	-	1	-	-	-	1
Net Pension Expense	80	29	-	-	80	29
Unemployment Insurance	-	-	79	94	79	94
Lottery	-	-	136	123	136	123
Excess Liability	-	-	9	6	9	6
Cornhusker State Industries	-	-	14	13	14	13
<b>Total Expenses</b>	<b>8,570</b>	<b>8,108</b>	<b>238</b>	<b>236</b>	<b>8,808</b>	<b>8,344</b>
Excess/(Deficiency) Before Transfers and Contributions: Permanent Fund Principal	(126)	221	73	60	(53)	281
Net Transfers In (Out)	49	56	(49)	(56)	-	-
Contributions: Permanent Fund Principal	25	19	-	-	25	19
<b>Increase/(Decrease) in Net Position</b>	<b>(52)</b>	<b>296</b>	<b>24</b>	<b>4</b>	<b>(28)</b>	<b>300</b>
<b>Net Position - Beginning (as restated)</b>	<b>12,332</b>	<b>12,036</b>	<b>561</b>	<b>557</b>	<b>12,893</b>	<b>12,593</b>
<b>Net Position - Ending</b>	<b>\$ 12,280</b>	<b>\$ 12,332</b>	<b>\$ 585</b>	<b>\$ 561</b>	<b>\$ 12,865</b>	<b>\$ 12,893</b>

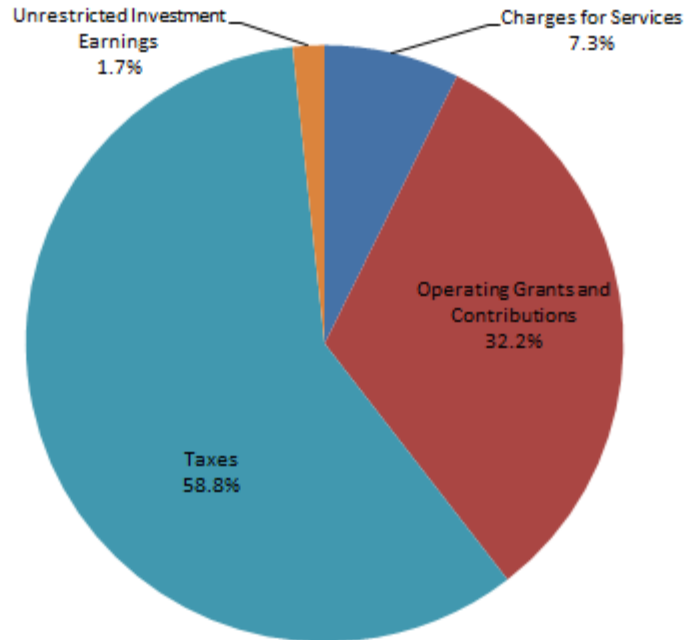
## Governmental Activities

Governmental activities decreased the State's net position by \$52 million in 2016 (\$296 million increase in 2015) and represent 96% of all primary government revenues. Program revenues from governmental activities were \$3,336 million and were used to partially offset program expenses of \$8,570 million, leaving net expenses of \$5,234 million. Only 7% of total expenses were incurred for general government services. General revenues from taxes, investment earnings, and miscellaneous sources, plus contributions to the permanent fund principal, and transfers, totaling \$5,182 million, were \$52 million less than the remaining costs of the governmental activities' programs as shown below.

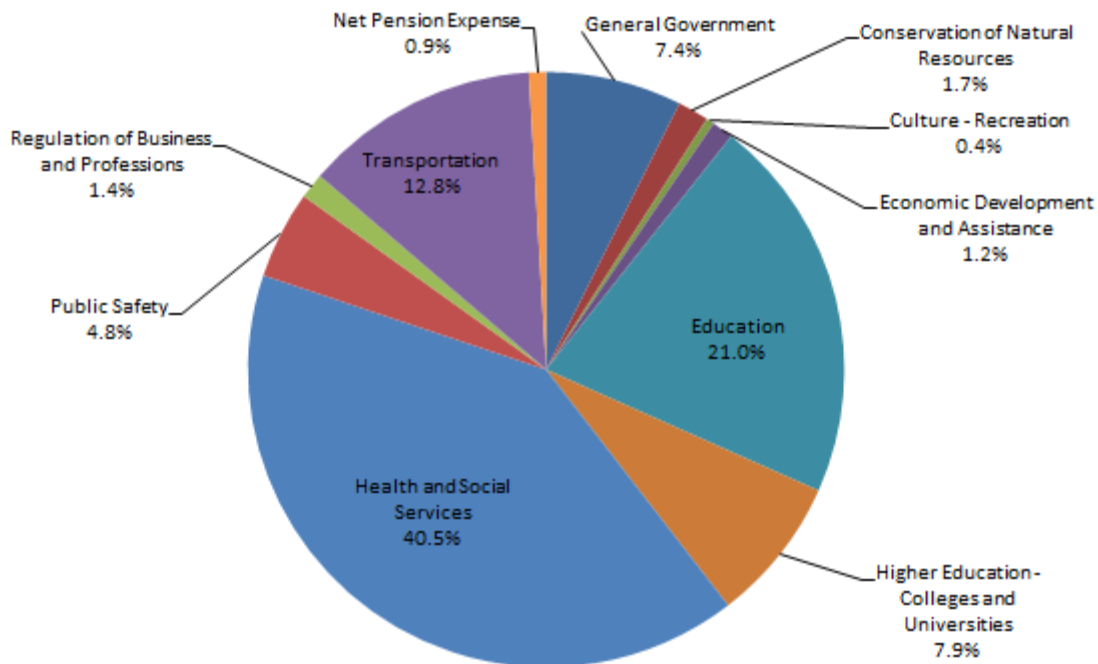
Tax revenues were down \$15 million, over 2015, compared to an increase of \$212 million in 2015 over 2014. Program revenues increased 2% from 2015, chiefly due to income from operating grants being up \$71 million. Increases in general government, education, health and social services and transportation expenses contributed to the \$462 million increase in program expenses. The change in Net Position decreased \$348 million from 2015 to 2016 compared to the \$228 million decrease from 2014 to 2015. While the General Fund has more investments than other programs, it maintains safer investments and actually showed an increase in investment income in 2016 over 2015 of \$33 million, which was a smaller change than the \$56 million increase for governmental activities as investment gains started decreasing during 2015.

STATE OF NEBRASKA  
Governmental Activities  
As of June 30, 2016

**Revenues - Total \$8,444 million**



**Expenses - Total \$8,570 million**





Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. Education expenses were up \$76 million, Health and Social Services was up \$128 million, Higher Education was up \$25 million, and Transportation expenses were up \$114 million. All the other functional areas had small variances in net expenses.

Program expenses, net of revenue, increased by \$389 million in 2016, over 2015, as shown below:

<b>GOVERNMENTAL ACTIVITIES</b>		
<i>(in millions of dollars)</i>		
	<b>2016</b>	<b>2015</b>
<b>Program Expenses, Net of Revenue</b>		
General Government	\$ (532)	\$ (424)
Conservation of Natural Resources	(46)	(44)
Culture - Recreation	(7)	(6)
Economic Development and Assistance	(48)	(63)
Education	(1,375)	(1,323)
Higher Education - Colleges and University	(677)	(651)
Health and Social Services	(1,579)	(1,501)
Public Safety	(291)	(281)
Regulation of Business and Professions	14	17
Transportation	(613)	(539)
Interest on Long-Term Debt	-	(1)
Net Pension Expense	(80)	(29)
<b>Subtotal</b>	<b>(5,234)</b>	<b>(4,845)</b>
<b>General Revenues</b>		
Taxes	4,961	4,976
Unrestricted Investment Earnings	145	89
Miscellaneous	2	1
<b>Transfers</b>	<b>49</b>	<b>56</b>
<b>Contributions: Permanent Fund Principal</b>	<b>25</b>	<b>19</b>
<b>Increase(Decrease) in Net Position(as restated)</b>	<b>\$ (52)</b>	<b>\$ 296</b>

## Business-type Activities

The business-type activities increased the State's net position by \$24 million for 2016, which was net of a \$49 million transfer to governmental activities. Most of the \$295 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of \$19 million in 2016. This gain, when combined with transfers and \$11 million in investment income, produced a \$24 million increase in net position for the Unemployment Insurance Fund. Lottery revenues of \$179 million generated operating income of \$44 million, which was offset by a \$43 million transfer to Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. At June 30, 2016, the State's Governmental Funds reported combined ending fund balances of \$3,827 million. Of this amount, \$557 million is nonspendable, either due to its form or legal constraints, and \$1,983 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Revenue restricted by enabling legislation, and public school land lease revenues are included in restricted fund balance. An additional \$844 million of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$46 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining \$397 million is unassigned and available for appropriations.

#### *General Fund*

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of \$388 million. However, such refunds payable are \$29 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by \$1,139 million.

On June 30, 2015, the General Fund had a positive fund balance of \$1,344 million. For 2016, expenditures increased \$246 million from 2015 and revenues decreased by \$31 million. The revenues were \$178 million less than expenditures for 2016 while revenues were \$98 million more than expenditures in 2015. The General Fund balance in 2016 decreased by \$216 million, after adjusting for transfers in and out of the General Fund, ending with a fund balance of \$1,128 million on June 30, 2016.

Revenues began decreasing during mid 2016 finishing \$31 million down from 2015. This decrease was chiefly due to a decrease in income tax revenue of \$59 million (a 2% decrease) from 2015, a decrease in sales and use tax revenue of \$22 million (a 1% decrease) from 2015, and increase in business and franchise taxes of \$24 million (a 40% increase) and investment income of \$33 million (a 127% increase) over 2015. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending. A net increase in expenditures was caused chiefly in five areas. Education expenditures increased \$50 million and Higher Education – Colleges and University expenditures increased \$23 million due to increased payroll costs. Health and Social Services expenditures increased \$92 million due to increased aid; General Government expenditures increased \$76 million mainly due to an increase in payments for property tax credits; and Public Safety expenditures increased \$15 million, mainly due to an increase in payroll for public safety personnel.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General Fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2016.

The Cash Reserve Fund balance was \$719 million at the beginning of 2015. In 2015, there was a net statutory transfer from the Fund to the General Fund of \$68 million and other net transfers in of \$77 million, leaving a Cash Reserve Fund balance at June 30, 2015 of \$728 million. In 2016, there was a statutory transfer to the Fund from the General Fund of \$85 million and other transfers out of \$82 million leaving a Fund balance of \$731 million at June 30, 2016. The Cash Reserve Fund is reflected as committed to economic stabilization on the governmental funds balance sheet.

## ***Other Governmental Funds***

Other governmental fund balances totaled \$2,698 million at June 30, 2016. Of this amount, \$556 million is nonspendable, either due to its form or legal constraints, and \$1,983 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$113 million of total fund balance has been committed to specific purposes. The remaining \$46 million of total fund balance has been assigned to specific purposes, as expressed by legislative intent.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of \$744 million. The non-major special revenue fund balances totaled \$1,000 million.

Governmental funds other than the General Fund saw an increase in fund balances of \$62 million. The fund balances of the following funds increased: the Permanent School Fund (\$30 million) and the other Nonmajor Funds (\$95 million). The fund balances of the following funds decreased: the Highway Fund (\$55 million), and the Health and Social Service Fund (\$8 million).

The Highway Fund had a \$13 million increase in sales and use taxes, a \$24 million increase in federal grants revenue and a \$85 million increase in operating expenses. These changes are mainly why the Highway Fund had a \$55 million decrease in its fund balance in 2016 as opposed to a \$27 million decrease in 2015.

The activity in the Federal Fund represents federal funds received, and each year's spending should generally approximate grant funds received. In 2016, there was an increase in federal grants and contracts revenue of \$26 million and investment income increased \$2 million. Expenditures in 2016 increased by \$16 million for Education, decreased \$3 million for Conservation of Natural Resources, decreased \$9 million for Economic Development and Assistance, increased \$35 million for Health and Social Services, and decreased \$12 million for Public Safety. Revenues exceeded expenditures by \$13 million before transfers. Transfers out decreased \$14 million in 2016 compared to an increase of \$18 million in 2015. At the end of 2016 there was a slight increase in the fund, compared to a \$4 million decrease in 2015.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services and some tax revenue, among other income. The funds had an \$8 million decrease in investment income in 2016 (chiefly due to changes in the market value of investments) compared to a \$48 million decrease in 2015. There was an \$8 million decrease in fund balance in 2016, as opposed to a \$8 million decrease in 2015.

The Permanent School Fund had an \$11 million increase in revenue, chiefly due to a \$3 million increase in investment income caused by changes in the market value of investments in 2016, compared to a \$67 million investment income decrease in 2015 (when compared to 2014). Expenditures increased \$4 million in 2016. There was a \$30 million increase in fund balance in 2016, as opposed to a \$23 million increase in 2015, a change of \$7 million.

The Nonmajor Funds revenues increased \$49 million compared to 2015. Expenditures increased \$8 million in Conservation of Natural Resources, \$3 million in Culture-Recreation, and \$14 million in Transportation. Regulation of Business and Professions decreased \$6 million. There were \$111 million in net transfers in for the Nonmajor Funds in 2016 versus \$95 million in net transfers in for 2015. As a result, the fund balances increased \$95 million in 2016 as opposed to a \$51 million increase in 2015.

## **Proprietary Funds**

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, reported net position of \$488 million at the end of 2016. This fund's net position increased \$24 million in 2016, because business assessment fees exceeded unemployment claims paid out by \$17 million, investment earnings of

\$11 million and other changes. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (the fund established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (an operation that utilizes incarcerated persons to manufacture and sell items) had combined income of \$43 million prior to a \$43 million transfer from the Lottery's net income to governmental funds. Such transfer was used primarily for education and environmental studies. The Excess Liability Fund had an operating loss of \$5 million and earned \$4 million in investment earnings for a net position decrease of \$1 million.

## Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net position decreased \$12 million to \$12,931 million in 2016 mainly due to a decrease in the fair value of investments in 2016. Interest and dividend income in 2016 was \$162 million versus \$152 million in 2015. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by \$185 million. In another trust fund recorded in the Private Purpose Trust Funds, contributions from State participants received by the College Savings Plan totaled \$381 million. The total net position in the College Savings Plan now totals almost four billion dollars.

## ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

Even though there is a relatively stable economy in the Midwest, in 2016 the State continued to rebound from the effects of the national recession. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to increase in 2016 by \$158 million over 2015 net tax revenue of \$4,190 million. Because revenues continued to show a decreasing trend during 2016, the State's Forecasting Board made two new forecasts throughout the year. At the end, the forecasted net tax revenues were \$54 million below the original forecast. However, that decreased forecast was still more than actual tax revenues of \$4,182 million by \$112 million, leaving the State with actual tax revenues, net of refunds, of \$166 million below the original budget on a budgetary basis. Agencies continued to watch their General Fund expenditures and spent \$314 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, caused the State to finish 2016 with General Fund revenues of \$44 million more than expenditures on a budgetary basis, prior to net transfers out. There was a net \$239 million transferred out for specific purposes. The fund balance on a budgetary basis decreased from \$1,455 million at the beginning of the fiscal year to \$1,261 million at June 30, 2016.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2016, the State had invested \$8.8 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Position and summarized in the table below. Depreciation expense for 2016 totaled \$50 million, compared to \$48 million for 2015.

#### CAPITAL ASSETS AS OF JUNE 30

(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 585	\$ 579	\$ -	\$ -	\$ 585	\$ 579
Buildings and Equipment	483	458	7	7	490	465
Infrastructure	7,458	7,330	-	-	7,458	7,330
<b>Subtotal</b>	<b>8,526</b>	<b>8,367</b>	<b>7</b>	<b>7</b>	<b>8,533</b>	<b>8,374</b>
Construction in Progress	266	322	-	-	266	322
<b>Total</b>	<b>\$ 8,792</b>	<b>\$ 8,689</b>	<b>\$ 7</b>	<b>\$ 7</b>	<b>\$ 8,799</b>	<b>\$ 8,696</b>

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets. One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative method, referred to as the

modified approach. Under this method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State’s goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2015, indicated an overall system rating of 84, a rating that has been very consistent over the past seven years.

For 2016, it was estimated that the State needed to spend \$306 million to preserve and maintain the roads at the above-mentioned level. The State actually spent \$441 million on roads in 2016, compared to \$348 million in 2015. For 2017, it is estimated that the State needs to spend \$317 million, a decrease from actual 2016 and a decrease from the average of the previous five years.

The State also spent \$133 million on capitalized infrastructure and land purchases relating to roads in 2016 (\$88 million in 2015), most notably reconstructing (a) Highway 77, Wahoo Bypass, (b) Highway 77, Fremont South Bridge, and (c) Highway 77, Broad Street in Fremont. Major land purchases included land purchased near five State highways. At June 30, 2016, the State had contractual commitments of \$761 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 4 to the financial statements.) These commitments are \$49 million more than at June 30, 2015 as a result of new highway construction and repair work being funded directly by the State.

During 2016, the State added \$77 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 4 to the financial statements.

**Long-Term Debt**

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 8 and 14 to the financial statements.

**CERTAIN LONG-TERM DEBT AS OF JUNE 30**  
*(in millions of dollars)*

	GOVERNMENTAL ACTIVITIES	
	2016	2015
Capitalized Leases:	\$ 35	\$ 15

There were no new bonds issued or outstanding in 2016 or 2015. Three new capitalized leases were added in 2016 (two leases were added in 2015). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an Aa2 rating from Moody’s. Standard and Poor’s has issued an AAA rating for the State as a whole.

## **FACTORS THAT WILL AFFECT THE FUTURE**

Although state and national economies continue to improve, moderate growth in tax receipts is forecasted. Net General Fund tax revenues for fiscal year 2016 decreased 1.3% over 2015 and fell short of projections. Tax revenues for 2017 are currently projected to exceed actual 2016 revenues by \$87 million on a nominal basis. The State has a low unemployment rate and has borrowed no money from the federal government for the State's Unemployment Insurance Fund. The Legislature has responded to the market effect on defined benefit retirement plans by enacting legislation that improves both the short-term and long-term funding outlook for these plans.

The State does face a number of challenges in the coming years. National healthcare policy, including the potential for increased participation in the Medicaid program and the ongoing increase in healthcare costs present challenges to the State. In addition, the growth in recent years in the prison inmate population presents an additional challenge due to increased operating costs and possible capital asset improvements. There is also a need for continuous monitoring of the school finance formula to ensure sustainable growth in aid to education for K-12 schools, easily the largest General Fund financial commitment annually.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2016, this Fund had a \$731 million balance. The statutorily required transfer from the General Fund to the Cash Reserve Fund in July 2016 will not be made because the state fiscal year 2015-16 revenues did not exceed the certified forecast. However, other transfers since the end of the last fiscal year have resulted in a Cash Reserve Fund balance of \$681 million at November 30, 2016. Future significant statutory disbursements from this fund include transfers of \$43 million to the Nebraska Capital Construction Fund.

## **CONTACTING THE STATE ACCOUNTING OFFICE**

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, 1526 K Street, Suite 240, Lincoln, NE 68508, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units or by going online to their websites. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2111 or online at <http://www.nebraska.edu/administration/business-and-finance/accounting-and-finance.html>. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, Box 94605, Lincoln, NE 68509-4605, (402) 471-2505 or online at <http://www.nscs.edu/>.

---

## BASIC FINANCIAL STATEMENTS

---







State of Nebraska  
**STATEMENT OF NET POSITION**  
June 30, 2016

(Dollars in Thousands)

(Dollars in Thousands)	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 279,599	\$ 457,592	\$ 737,191	\$ 675,751
Receivables, net of allowance				
Taxes	475,542	-	475,542	-
Due from Federal Government	316,717	-	316,717	-
Other	221,591	42,254	263,845	480,693
Internal Balances	(909)	909	-	-
Investments	3,669,511	132,306	3,801,817	2,142,646
Loans Receivable	345,493	-	345,493	37,311
Investment in Joint Venture	-	-	-	385,080
Net Pension Asset	6,153	-	6,153	-
Other Assets	36,219	5,646	41,865	28,988
Restricted Assets:				
Cash and Cash Equivalents	8,563	-	8,563	585,724
Other	-	2,350	2,350	17,260
Securities Lending Collateral	91,309	3,216	94,525	-
Capital assets:				
Land	584,777	315	585,092	141,702
Infrastructure	7,458,524	-	7,458,524	-
Construction in Progress	265,771	-	265,771	452,930
Land Improvements	-	-	-	281,826
Buildings and Equipment	1,201,817	14,415	1,216,232	3,156,852
Less Accumulated Depreciation	(718,577)	(7,860)	(726,437)	(1,173,395)
Total Capital Assets	8,792,312	6,870	8,799,182	2,859,915
Total Assets	\$ 14,242,100	\$ 651,143	\$ 14,893,243	\$ 7,213,368
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow related to pensions	\$ 224,590	\$ -	\$ 224,590	\$ -
Deferred loss on bond refunding	-	-	-	7,674
Total Deferred Outflows of Resources	\$ 224,590	\$ -	\$ 224,590	\$ 7,674
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 649,190	\$ 35,112	\$ 684,302	\$ 280,540
Tax Refunds Payable	399,235	-	399,235	-
Deposits	16,903	-	16,903	14,021
Unearned Revenue	66,896	3,110	70,006	120,595
Obligations under Securities Lending	91,309	3,216	94,525	-
Noncurrent Liabilities:				
Due within one year	260,057	14,602	274,659	155,175
Due in more than one year	190,972	10,064	201,036	944,720
Net Pension Liability	337,411	-	337,411	-
Total Liabilities	\$ 2,011,973	\$ 66,104	\$ 2,078,077	\$ 1,515,051
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow related to pensions	\$ 174,221	\$ -	\$ 174,221	\$ -
Deferred service concession arrangement receipts	-	-	-	14,523
Total Deferred Inflows of Resources	\$ 174,221	\$ -	\$ 174,221	\$ 14,523
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,757,532	\$ 6,870	\$ 8,764,402	\$ 2,112,269
Restricted for:				
Education	25,929	-	25,929	2,098,977
Health and Social Services	546,819	-	546,819	-
Conservation of Natural Resources	629,420	-	629,420	-
Transportation	214,898	-	214,898	-
Licensing and Regulation	109,736	-	109,736	-
Other Purposes	186,818	2,350	189,168	316,819
Unemployment Insurance Benefits	-	488,058	488,058	-
Debt Service and Construction	-	-	-	395,195
Permanent Trusts:				
Nonexpendable	552,285	-	552,285	-
Expendable	288,544	-	288,544	-
Unrestricted	968,515	87,761	1,056,276	768,208
Total Net Position	\$ 12,280,496	\$ 585,039	\$ 12,865,535	\$ 5,691,468

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Government	\$ 631,739	\$ 95,871	\$ 3,575	\$ -
Conservation of Natural Resources	144,326	39,476	58,666	189
Culture – Recreation	37,118	25,725	4,207	25
Economic Development and Assistance	99,611	1,065	50,331	-
Education	1,799,893	51,790	372,628	470
Higher Education - Colleges and University	676,456	-	-	-
Health and Social Services	3,477,627	124,134	1,775,293	-
Public Safety	409,403	37,731	80,225	262
Regulation of Business and Professions	118,005	129,750	2,494	-
Transportation	1,096,243	110,984	371,947	-
Interest on Long-term Debt	192	-	-	-
Net Pension Expense	79,670	-	-	-
Total governmental activities	8,570,283	616,526	2,719,366	946
Business-type activities:				
Unemployment Insurance	78,747	97,748	-	-
Lottery	135,819	179,473	-	-
Excess Liability	9,010	3,928	-	-
Cornhusker State Industries	13,830	13,505	-	-
Total business-type activities	237,406	294,654	-	-
Total Primary Government	\$ 8,807,689	\$ 911,180	\$ 2,719,366	\$ 946
<b>COMPONENT UNITS:</b>				
University of Nebraska	\$ 2,211,066	\$ 1,062,379	\$ 373,267	\$ 6,514
State Colleges	122,316	49,702	14,315	2,153
Total Component Units	\$ 2,333,382	\$ 1,112,081	\$ 387,582	\$ 8,667

General revenues:  
Income Taxes  
Sales and Use Taxes  
Petroleum Taxes  
Excise Taxes  
Business and Franchise Taxes  
Other Taxes  
Unrestricted Investment earnings  
Miscellaneous  
Payments from the State of Nebraska  
Contributions: Permanent Fund Principal  
Transfers  
Total General Revenues, Contributions and Transfers  
Change in Net Position  
Net Position - Beginning (as restated)  
Net Position - Ending

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNITS
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
\$ (532,293)	\$ -	\$ (532,293)	\$ -
(45,995)	-	(45,995)	-
(7,161)	-	(7,161)	-
(48,215)	-	(48,215)	-
(1,375,005)	-	(1,375,005)	-
(676,456)	-	(676,456)	-
(1,578,200)	-	(1,578,200)	-
(291,185)	-	(291,185)	-
14,239	-	14,239	-
(613,312)	-	(613,312)	-
(192)	-	(192)	-
(79,670)	-	(79,670)	-
(5,233,445)	-	(5,233,445)	-
-	19,001	19,001	-
-	43,654	43,654	-
-	(5,082)	(5,082)	-
-	(325)	(325)	-
-	57,248	57,248	-
\$ (5,233,445)	\$ 57,248	\$ (5,176,197)	\$ -
\$ -	\$ -	\$ -	\$ (768,906)
-	-	-	(56,146)
\$ -	\$ -	\$ -	\$ (825,052)
2,520,240	-	2,520,240	-
1,827,206	-	1,827,206	-
363,824	-	363,824	-
133,620	-	133,620	-
109,649	-	109,649	-
6,404	-	6,404	-
144,734	15,882	160,616	64,239
2,159	20	2,179	284,019
-	-	-	676,449
24,712	-	24,712	-
49,414	(49,414)	-	-
5,181,962	(33,512)	5,148,450	1,024,707
(51,483)	23,736	(27,747)	199,655
12,331,979	561,303	12,893,282	5,491,813
\$ 12,280,496	\$ 585,039	\$ 12,865,535	\$ 5,691,468

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# BALANCE SHEET

## GOVERNMENTAL FUNDS

June 30, 2016

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>Assets</b>							
Assets:							
Cash and Cash Equivalents	\$ 82,659	\$ 12,503	\$ 7,730	\$ 5,740	\$ 2,480	\$ 56,939	\$ 168,051
Cash on Deposit with Fiscal Agents	-	-	-	-	-	8,563	8,563
Investments	1,253,670	205,267	63,457	517,671	813,666	815,780	3,669,511
Securities Lending Collateral	30,688	5,025	1,484	13,392	20,697	20,023	91,309
Receivables, net of allowance							
Taxes	416,623	58,120	-	-	-	799	475,542
Due from Federal Government	3	35,109	279,953	-	-	1,652	316,717
Loans	-	-	16,513	178	-	328,802	345,493
Other	44,203	8,512	40,684	32,520	75,036	18,757	219,712
Due from Other Funds	60,060	275	197	2,820	-	1,986	65,338
Inventories	618	2,755	124	102	-	237	3,836
Prepaid Items	469	-	22	-	-	195	686
Other	540	-	-	-	25,842	3,341	29,723
Total Assets	<u>\$ 1,889,533</u>	<u>\$ 327,566</u>	<u>\$ 410,164</u>	<u>\$ 572,423</u>	<u>\$ 937,721</u>	<u>\$ 1,257,074</u>	<u>\$ 5,394,481</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 131,396	\$ 97,327	\$ 178,122	\$ 11,229	\$ 124,412	\$ 45,734	\$ 588,220
Tax Refunds Payable	387,722	11,513	-	-	-	-	399,235
Deposits	541	1,659	10,069	676	229	3,729	16,903
Due to Other Funds	63,405	4,177	70,010	355	18	14,347	152,312
Obligations under Securities Lending	30,688	5,025	1,484	13,392	20,697	20,023	91,309
Claims Payable	104,060	-	90,959	-	-	-	195,019
Unearned Revenue	3,621	-	51,212	26	11,369	-	66,228
Total Liabilities	<u>721,433</u>	<u>119,701</u>	<u>401,856</u>	<u>25,678</u>	<u>156,725</u>	<u>83,833</u>	<u>1,509,226</u>
Deferred Inflows of Resources:							
Revenues not yet available	39,689	-	-	18,766	-	-	58,455
Fund Balances:							
Nonspendable:							
Inventories and Prepaid Items	1,087	2,755	146	102	-	432	4,522
Endowment Principal	-	-	-	-	532,770	19,515	552,285
Restricted	-	205,110	8,162	527,322	248,226	994,578	1,983,398
Committed	730,655	-	-	-	-	113,034	843,689
Assigned	-	-	-	555	-	45,682	46,237
Unassigned	396,669	-	-	-	-	-	396,669
Total Fund Balances	<u>1,128,411</u>	<u>207,865</u>	<u>8,308</u>	<u>527,979</u>	<u>780,996</u>	<u>1,173,241</u>	<u>3,826,800</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,889,533</u>	<u>\$ 327,566</u>	<u>\$ 410,164</u>	<u>\$ 572,423</u>	<u>\$ 937,721</u>	<u>\$ 1,257,074</u>	<u>\$ 5,394,481</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

(Dollars in Thousands)

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>3,826,800</b>
---	-----------	------------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	584,777	
Infrastructure	7,458,524	
Construction in progress	265,771	
Other capital assets	1,091,890	
Accumulated depreciation	<u>(642,454)</u>	8,758,508

Certain tax revenues and charges are earned but not available and therefore are unearned in the funds.	58,455
--	--------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	59,303
---	--------

Deferred Inflows and Outflows related to Pension, they are not related to governmental funds. These Deferred Inflows & Outflows consist of:

Deferred Inflows related to Pension	(174,221)	
Deferred Outflows related to Pension	<u>224,590</u>	50,369

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital leases	(460)	
Compensated absences	(126,930)	
Net pension liability/asset	(331,258)	
Claims and judgments	<u>(14,291)</u>	<u>(472,939)</u>

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>12,280,496</u></b>
--	-----------	--------------------------

## State of Nebraska

# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
<b>REVENUES</b>							
Income Taxes	\$ 2,513,438	\$ -	\$ -	\$ 4,099	\$ -	\$ -	2,517,537
Sales and Use Taxes	1,526,973	283,111	-	-	-	18,381	1,828,465
Petroleum Taxes	-	350,424	-	-	1,872	13,399	365,695
Excise Taxes	70,340	-	-	9,208	-	54,072	133,620
Business and Franchise Taxes	82,870	-	-	-	-	26,779	109,649
Other Taxes	(433)	2,602	-	-	-	4,235	6,404
Federal Grants and Contracts	624	343,377	2,331,589	103	-	44,565	2,720,258
Licenses, Fees and Permits	19,380	90,473	640	57,107	855	154,281	322,736
Charges for Services	2,863	18,241	4,640	27,859	-	59,381	112,984
Investment Income	59,389	8,593	3,242	10,054	24,700	35,919	141,897
Rental Income	2	477	3	407	48,937	25,115	74,941
Surcharge	-	-	-	-	-	43,099	43,099
Other	3,110	2,738	3,482	12,609	22,823	23,418	68,180
Total Revenues	4,278,556	1,100,036	2,343,596	121,446	99,187	502,644	8,445,465
<b>EXPENDITURES</b>							
Current:							
General Government	544,163	-	2,939	-	-	76,291	623,393
Conservation of Natural Resources	34,022	-	31,195	-	-	80,001	145,218
Culture – Recreation	10,001	-	3,364	-	-	30,948	44,313
Economic Development and Assistance	13,904	-	51,967	-	-	34,136	100,007
Education	1,381,365	-	372,838	-	69,500	19,071	1,842,774
Higher Education - Colleges and University	635,009	-	7	-	-	41,440	676,456
Health and Social Services	1,541,615	-	1,787,149	128,857	-	19,453	3,477,074
Public Safety	292,976	-	79,101	-	-	45,708	417,785
Regulation of Business and Professions	3,670	-	2,197	-	-	112,027	117,894
Transportation	-	1,144,453	-	-	-	31,379	1,175,832
Capital Projects	-	-	-	-	-	28,174	28,174
Debt Service:							
Principal	-	-	-	-	-	1,425	1,425
Interest	-	-	-	-	-	7	7
Total Expenditures	4,456,725	1,144,453	2,330,757	128,857	69,500	520,060	8,650,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,169)	(44,417)	12,839	(7,411)	29,687	(17,416)	(204,887)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	67,228	-	705	1,013	-	180,815	249,761
Transfers Out	(104,826)	(10,805)	(13,436)	(1,344)	-	(69,936)	(200,347)
Proceeds from Other Financing Arrangements	-	-	-	-	64	1,428	1,492
Total Other Financing Sources (Uses)	(37,598)	(10,805)	(12,731)	(331)	64	112,307	50,906
Net Change in Fund Balances	(215,767)	(55,222)	108	(7,742)	29,751	94,891	(153,981)
<b>FUND BALANCES, JULY 1 (as restated)</b>	1,344,178	263,087	8,200	535,721	751,245	1,078,350	3,980,781
<b>FUND BALANCES, JUNE 30</b>	\$ 1,128,411	\$ 207,865	\$ 8,308	\$ 527,979	\$ 780,996	\$ 1,173,241	\$ 3,826,800

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

(Dollars in Thousands)

**Net change in fund balances—total governmental funds** **\$ (153,981)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	132,951	
Capital assets sold	(1,739)	
Depreciation expense	(38,240)	92,972

Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:

Other financing arrangements	(1,425)	(1,425)
------------------------------	---------	---------

Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:

Other financing arrangement payments	1,425	
Capital lease payments	85	1,510

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		(8,794)
--	--	---------

Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Deferred inflows of resources increased by this amount this year.		1,489
--	--	-------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	(420)	
Decrease in net pension liability/asset	(149,607)	
Increase in deferred inflows related to pension	8,489	
Increase in deferred outflows related to pension	160,749	
Increase in claims and judgments	(2,465)	16,746

**Change in net position of governmental activities** **\$ (51,483)**

## State of Nebraska

# STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

June 30, 2016

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 419,514	\$ 38,078	\$ 457,592	\$ 112,217
Receivables, net of allowance	21,493	20,761	42,254	1,768
Due from Other Funds	-	1,013	1,013	39,803
Inventories	-	5,219	5,219	467
Prepaid Items	-	10	10	1,507
Other	-	417	417	-
Total Current Assets	<u>441,007</u>	<u>65,498</u>	<u>506,505</u>	<u>155,762</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	-	2,350	2,350	-
Long-Term Investments	56,380	75,926	132,306	-
Securities Lending Collateral	1,380	1,836	3,216	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	246	14,169	14,415	109,927
Less Accumulated Depreciation	<u>(246)</u>	<u>(7,614)</u>	<u>(7,860)</u>	<u>(76,123)</u>
Total Capital Assets	-	6,870	6,870	33,804
Total Noncurrent Assets	<u>57,760</u>	<u>86,982</u>	<u>144,742</u>	<u>33,804</u>
Total Assets	<u>\$ 498,767</u>	<u>\$ 152,480</u>	<u>\$ 651,247</u>	<u>\$ 189,566</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 2,984	\$ 32,128	\$ 35,112	\$ 14,336
Due to Other Funds	-	104	104	930
Capital Lease Obligations	-	-	-	9,735
Claims, Judgments and Compensated Absences	6,345	8,257	14,602	43,794
Unearned Revenue	-	3,110	3,110	668
Total Current Liabilities	<u>9,329</u>	<u>43,599</u>	<u>52,928</u>	<u>69,463</u>
Noncurrent Liabilities:				
Capital Lease Obligations	-	-	-	24,585
Claims, Judgments and Compensated Absences	-	10,064	10,064	36,215
Obligations under Securities Lending	1,380	1,836	3,216	-
Total Noncurrent Liabilities	<u>1,380</u>	<u>11,900</u>	<u>13,280</u>	<u>60,800</u>
Total Liabilities	<u>\$ 10,709</u>	<u>\$ 55,499</u>	<u>\$ 66,208</u>	<u>\$ 130,263</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	-	6,870	6,870	(516)
Restricted for:				
Lottery Prizes	-	2,350	2,350	-
Unemployment Insurance Benefits	488,058	-	488,058	-
Unrestricted	-	87,761	87,761	59,819
Total Net Position	<u>\$ 488,058</u>	<u>\$ 96,981</u>	<u>\$ 585,039</u>	<u>\$ 59,303</u>

The accompanying notes are an integral part of the financial statements.



State of Nebraska

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 95,925	\$ 196,906	\$ 292,831	\$ 387,143
Federal	1,212	-	1,212	-
Other	611	-	611	1,557
Total Operating Revenues	97,748	196,906	294,654	388,700
<b>OPERATING EXPENSES</b>				
Personal Services	-	6,667	6,667	38,131
Services and Supplies	12	38,428	38,440	138,121
Lottery Prizes	-	104,645	104,645	-
Unemployment Claims	78,735	-	78,735	-
Insurance Claims	-	8,417	8,417	212,957
Depreciation	-	502	502	11,311
Total Operating Expenses	78,747	158,659	237,406	400,520
Operating Income (Loss)	19,001	38,247	57,248	(11,820)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	11,367	4,515	15,882	2,837
Gain (Loss) on Sale of Capital Assets	-	20	20	366
Other	-	-	-	(177)
Total Nonoperating Revenues (Expenses)	11,367	4,535	15,902	3,026
Income (Loss) Before Transfers	30,368	42,782	73,150	(8,794)
Transfers Out	(6,631)	(42,783)	(49,414)	-
Change in Net Position	23,737	(1)	23,736	(8,794)
<b>NET POSITION, JULY 1</b>	464,321	96,982	561,303	68,097
<b>NET POSITION, JUNE 30</b>	\$ 488,058	\$ 96,981	\$ 585,039	\$ 59,303

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 98,475	\$ 187,180	\$ 285,655	\$ 26,335
Cash Received from Interfund Charges	-	10,397	10,397	352,269
Cash Received from Federal Government	1,212	-	1,212	-
Cash Paid to Employees	-	(6,626)	(6,626)	(37,680)
Cash Paid to Suppliers	924	(17,216)	(16,292)	(126,605)
Cash Paid for Lottery Prizes	-	(104,906)	(104,906)	-
Cash Paid for Insurance Claims	(80,141)	(9,750)	(89,891)	(219,755)
Cash Paid for Interfund Services	(144)	(999)	(1,143)	(9,227)
Net Cash Flows from Operating Activities	20,326	58,080	78,406	(14,663)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(6,631)	(42,783)	(49,414)	-
Net Cash Flows from Noncapital Financing Activities	(6,631)	(42,783)	(49,414)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	-	(348)	(348)	3,448
Proceeds from Sale of Capital Assets	-	26	26	1,138
Principal Paid on Capital Leases	-	-	-	(6,090)
Interest Paid on Capital Leases	-	-	-	(177)
Net Cash Flows from Capital and Related Financing Activities	-	(322)	(322)	(1,681)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(219,886)	(219,886)	-
Proceeds from Sale of Investment Securities	(20)	198,167	198,147	-
Interest and Dividend Income	11,337	2,875	14,212	2,773
Net Cash Flows from Investing Activities	11,317	(18,844)	(7,527)	2,773
Net Increase (Decrease) in Cash and Cash Equivalents	25,012	(3,869)	21,143	(13,571)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>394,502</b>	<b>41,947</b>	<b>436,449</b>	<b>125,788</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 419,514</b>	<b>\$ 38,078</b>	<b>\$ 457,592</b>	<b>\$ 112,217</b>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2016

(Dollars in Thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	UNEMPLOYMENT	NONMAJOR		ACTIVITIES -
	INSURANCE	ENTERPRISE	TOTALS	INTERNAL
		FUNDS		SERVICE
				FUNDS
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>				
<b>FLOW FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 19,001	\$ 38,247	\$ 57,248	\$ (11,820)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	-	502	502	11,311
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	1,826	(36)	1,790	51
(Increase) Decrease in Due from Other Funds	-	58	58	(10,516)
(Increase) Decrease in Inventories	-	(2,450)	(2,450)	(59)
(Increase) Decrease in Prepaid Items	-	(10)	(10)	(8)
(Increase) Decrease in Long-Term Deposits	-	70	70	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,057	22,368	23,425	2,858
Increase (Decrease) in Due to Other Funds	(144)	15	(129)	(51)
Increase (Decrease) in Claims Payable	(1,414)	(1,333)	(2,747)	(6,798)
Increase (Decrease) in Unearned Revenue	-	649	649	369
Total Adjustments	1,325	19,833	21,158	(2,843)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 20,326</b>	<b>\$ 58,080</b>	<b>\$ 78,406</b>	<b>\$ (14,663)</b>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Capital Assets acquired through Capital Leases	\$ -	\$ -	\$ -	\$ 25,480
Change in Fair Value of Investments	-	1,649	1,649	-
Total Noncash Transactions	\$ -	\$ 1,649	\$ 1,649	\$ 25,480

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

June 30, 2016

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,804	\$ 22,481	\$ 108,598
Investments:			
U.S. Treasury Notes and Bonds	520,282	-	-
U.S. Treasury Bills	87	-	-
Government Agency Securities	16,505	-	-
Corporate Bonds	707,529	-	-
International Bonds	166,320	-	-
Equity Securities	1,733,839	-	-
Private Equity	794,471	-	-
Options	(19)	-	-
Mortgages	566,809	-	-
Private Real Estate	390,942	-	-
Adr's, GDRs & Trust	3,633	-	-
Asset Backed Securities	109,354	-	-
Bank Loans	278,605	-	-
Municipal Bonds	17,461	-	-
Commingled Funds	7,658,880	3,848,458	-
Short Term Investments	192,911	-	-
Total Investments	13,157,609	3,848,458	-
Securities Lending Collateral	262,953	-	-
Receivables:			
Contributions	29,223	-	-
Interest and Dividends	16,234	643	499
Other	668,077	-	597
Total Receivables	713,534	643	1,096
Due from Other Funds	47,303	-	-
Capital Assets:			
Buildings and Equipment	6,592	-	-
Less Accumulated Depreciation	(6,587)	-	-
Total Capital Assets	5	-	-
Other Assets	-	2,172	-
<b>Total Assets</b>	<b>\$ 14,187,208</b>	<b>\$ 3,873,754</b>	<b>\$ 109,694</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 986,477	\$ 5,023	\$ 20,066
Due to Other Governments	6,671	-	69,065
Deposits	-	2,389	-
Due to Other Funds	104	7	-
Obligations under Securities Lending	262,953	-	-
Accrued Compensated Absences	407	-	-
Other Liabilities	-	-	20,563
<b>Total Liabilities</b>	<b>\$ 1,256,612</b>	<b>\$ 7,419</b>	<b>\$ 109,694</b>
<b>NET POSITION</b>			
Restricted for:			
Pensions	\$ 12,930,596	\$ -	\$ -
College Savings Plan	-	3,849,971	-
Other Purposes	-	16,364	-
<b>Total Net Position</b>	<b>\$ 12,930,596</b>	<b>\$ 3,866,335</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.

State of Nebraska

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
<b>ADDITIONS</b>		
Contributions:		
Participant Contributions	\$ 244,350	\$ 381,280
Client Contributions	-	11
State Contributions	125,520	-
Political Subdivision Contributions	179,609	-
Court Fees	3,459	-
Total Contributions	<u>552,938</u>	<u>381,291</u>
Investment Income:		
Net Appreciation (Depreciation) in		
Fair Value of Investments	58,763	(3,245)
Interest and Dividend Income	161,688	4,381
Securities Lending Income	2,613	-
Total Investment Income	<u>223,064</u>	<u>1,136</u>
Investment Expenses	41,121	18,491
Securities Lending Expenses	856	-
Total Investment Expense	<u>41,977</u>	<u>18,491</u>
Net Investment Income	<u>181,087</u>	<u>(17,355)</u>
Escheat Revenue	-	4,335
Other Additions	184	1,243
Total Additions	<u>734,209</u>	<u>369,514</u>
<b>DEDUCTIONS</b>		
Benefits	716,337	272,427
Refunds	15,890	-
Amounts Distributed to Outside Parties	-	20,649
Administrative Expenses	5,651	1,165
Other Deductions	8,615	-
Total Deductions	<u>746,493</u>	<u>294,241</u>
Change in Net Position Restricted for:		
Pensions	(12,284)	-
College Savings Plan	-	91,251
Other Purposes	-	(15,978)
<b>NET POSITION-BEGINNING OF YEAR</b>	<u>12,942,880</u>	<u>3,791,062</u>
<b>NET POSITION-END OF YEAR</b>	<u>\$ 12,930,596</u>	<u>\$ 3,866,335</u>

The accompanying notes are an integral part of the financial statements.

## State of Nebraska

# STATEMENT OF NET POSITION

## COMPONENT UNITS

June 30, 2016

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 640,266	\$ 35,485	\$ 675,751
Receivables, net of allowance			
Loans	36,168	1,143	37,311
Other	476,335	4,358	480,693
Investments	2,088,871	53,775	2,142,646
Investment in Joint Venture	385,080	-	385,080
Other Assets	27,708	1,280	28,988
Restricted Assets:			
Cash and Cash Equivalents	534,550	51,174	585,724
Investments Held by Trustee	17,260	-	17,260
Capital assets:			
Land	140,349	1,353	141,702
Land Improvements	251,580	30,246	281,826
Construction in Progress	426,895	26,035	452,930
Buildings and Equipment	2,908,978	247,874	3,156,852
Less Accumulated Depreciation	(1,072,685)	(100,710)	(1,173,395)
Total Capital Assets	<u>2,655,117</u>	<u>204,798</u>	<u>2,859,915</u>
Total Assets	<u>\$ 6,861,355</u>	<u>\$ 352,013</u>	<u>\$ 7,213,368</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ 7,630	\$ 44	\$ 7,674
Total Deferred Outflows of Resources	<u>\$ 7,630</u>	<u>\$ 44</u>	<u>\$ 7,674</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 267,991	\$ 12,549	\$ 280,540
Deposits	13,750	271	14,021
Unearned Revenue	119,233	1,362	120,595
Noncurrent Liabilities:			
Due within one year	149,500	5,675	155,175
Due in more than one year	877,918	66,802	944,720
Total Liabilities	<u>\$ 1,428,392</u>	<u>\$ 86,659</u>	<u>\$ 1,515,051</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred service concession arrangement receipts	\$ 14,523	\$ -	\$ 14,523
Total Deferred Inflows of Resources	<u>\$ 14,523</u>	<u>\$ -</u>	<u>\$ 14,523</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 1,953,065	\$ 159,204	\$ 2,112,269
Restricted for:			
Education	2,098,977	-	2,098,977
Other Purposes	250,591	66,228	316,819
Construction and Debt Service	388,084	7,111	395,195
Unrestricted	735,353	32,855	768,208
Total Net Position	<u>\$ 5,426,070</u>	<u>\$ 265,398</u>	<u>\$ 5,691,468</u>

The accompanying notes are an integral part of the financial statements.

State of Nebraska  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Expenses:			
Compensation and benefits	\$ 1,391,225	\$ 68,726	\$ 1,459,951
Supplies and materials	308,716	12,126	320,842
Contractual services	209,248	5,205	214,453
Repairs and maintenance	69,270	4,142	73,412
Utilities	32,595	4,441	37,036
Communications	11,044	446	11,490
Depreciation	117,998	8,141	126,139
Scholarships and fellowships	64,924	4,507	69,431
Other	6,046	14,582	20,628
Total Operating Expenses	2,211,066	122,316	2,333,382
Program Revenues:			
Charges for Services	1,062,379	49,702	1,112,081
Operating Grants and Contributions	373,267	14,315	387,582
Capital Grants and Contributions	6,514	2,153	8,667
Total Program Revenues	1,442,160	66,170	1,508,330
Net (Expense) Revenue	(768,906)	(56,146)	(825,052)
General Revenues:			
Interest and investment earnings	61,797	2,442	64,239
Miscellaneous	278,182	5,837	284,019
Payments from the State of Nebraska	621,432	55,017	676,449
Total General Revenues	961,411	63,296	1,024,707
Change in Net Position	192,505	7,150	199,655
Net Position - Beginning (as restated)	5,233,565	258,248	5,491,813
Net Position - Ending	\$ 5,426,070	\$ 265,398	\$ 5,691,468

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

(dollars expressed in thousands)

### 1. Summary of Significant Accounting Policies

- A. Basis of Presentation.** The accompanying financial statements of the State of Nebraska (the “State”) and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

- B. Reporting Entity.** In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State’s reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

**Discretely Presented Component Units.** The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State’s financial statements to be misleading. These component units are reported in a separate column in the government-wide financial statements.

**Nebraska State College System.** The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports may be found on the [State Colleges’](#) website under [Audit Reports](#).

**University of Nebraska.** The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University’s financial reporting entity also consists of the following units: the University of Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the University Technology Development Center, formed for the purpose of supporting the research mission of the University and advance technology transfer globally; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependent on the State, since the Nebraska Legislature controls the budget of the University. Audit reports may be found on the [University’s Accounting and Finance](#) website.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

**Related Organizations.** The State’s officials are responsible for appointing members of boards of other organizations, but the State’s accountability for these organizations does not extend beyond making these appointments. The Governor appoints the



boards of the following organizations: Nebraska Educational, Health, and Social Services Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

- C. Government-wide and Fund Financial Statements.** The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity’s non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**Net Investment in Capital Assets.** This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

**Restricted Net Position.** This category results when constraints are externally imposed on net position use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net position only when unrestricted net position is insufficient or unavailable.

The Statement of Net Position reports \$3,044,857 of restricted net position, of which \$1,689,580 is restricted by enabling legislation.

**Unrestricted Net Position.** This category represents net position that does not meet the definition of the preceding two categories. Unrestricted net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

- D. Basis of Accounting.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers taxes and other revenues available if the revenues are collected within 60 days after year end, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying activity takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred inflows of resources.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

**General Fund.** This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

**Highway Fund.** This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

**Federal Fund.** This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund and Airport Development Fund.

**Health and Social Services Fund.** This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

**Permanent School Fund.** This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Net appreciation on investments is not available for expenditure. Income is distributed to public schools.

The State reports the following major enterprise fund:

**Unemployment Insurance Fund.** This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

The State also reports the following fund types:

#### **Governmental Fund Types:**

**Special Revenue Funds.** Reflect transactions related to resources received and used for restricted or specific purposes.

**Capital Projects Fund.** Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

**Permanent Funds.** Reflect transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

#### **Proprietary Fund Types:**

**Enterprise Funds.** Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**Internal Service Funds.** These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

#### **Fiduciary Fund Types:**

**Pension Trust Funds.** These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

**Private Purpose Trust Funds.** These funds account for Unclaimed Property and Nebraska College Savings Plan activity held for private individuals.

**Agency Funds.** These funds account for assets held by the State pending distribution to other governments and individuals.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. Cash and Cash Equivalents.** In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities

(remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2016, approximates fair value due to their short-term nature. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

**F. Investments.** Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are recorded at fair value in accordance with generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The State's valuation methodologies are generally based on quoted markets prices. These valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies determined by law.

**G. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

**H. Inventories.** Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of unearned revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

**I. Restricted Assets.** Assets held by the trustee for the Master Lease Purchase Program are classified as restricted position on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

**J. Capital Assets.** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collection items are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of \$5 at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially all initial building costs, land, land improvements, and software costing in excess of \$100 are capitalized. Building improvements and renovations in excess of \$100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-20 years

The State has elected to use the “modified approach” to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

**K. Compensated Employee Absences.** All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee’s accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

**L. Fund Balance.** In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature (the highest level of decision making authority for the State by passing a legislative bill), such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature’s intent to be used for specific purposes, by directive of the Executive Committee of the Legislature or in some cases by legislation. Unrestricted balances are used in the order listed above when expenditures are made which could be used from any of those categories. The State considers restricted balances to have been spent when both restricted and unrestricted fund balance is available.

The State maintains a stabilization fund reported as committed fund balance. The Cash Reserve Fund is part of the General Fund and was established by State Statute to be used as a reserve when the cash balance of the General Fund is insufficient to meet General Fund current obligations and for legislatively mandated transfers to other funds. Additions to the fund are made when actual General Fund revenues exceed certified projections for a fiscal year.

**M. Interfund Activities.** Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Activities that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund activities are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**N. Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2016 basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State’s name.

**Deposits.** At June 30, 2016, the carrying amounts of the State’s deposits were \$42,538 and the bank balances were \$101,099. All bank balances were covered by federal depository insurance or by collateral held by the State’s agent in the State’s name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling \$21,954 at June 30, 2016.

**Investments.** State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

Following are two different presentations of the primary government's investments, by investment type, at June 30, 2016. The first table below presents all investments stated at fair value using valuation techniques to measure fair value, followed by a table presenting investments at fair value for financial statement purposes, with debt securities presented with effective duration stated in years.

The State utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the State has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information for external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

For financial statement purposes, the investment amounts for some funds presented in the fiduciary fund financial statements reflect balances per audited financial statements for the period ended December 31, 2015. The underlying investments for these funds as of June 30, 2016 are included in the fair value measurement calculations and investment risk disclosures presented below for fiduciary funds.

**PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2016 AT FAIR VALUE MEASUREMENTS USING:**

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Debt Securities</b>				
U.S. Treasury Notes and Bonds	\$ 1,432,054	\$ -	\$ 1,432,054	-
Government Agency Securities	1,107,045	-	1,107,045	-
Corporate Bonds	2,347,318	-	2,344,950	2,368
International Bonds	170,868	-	170,868	-
Mortgages	639,095	258	638,471	366
Asset Backed Securities	114,373	-	111,739	2,634
Bank Loans	282,679	-	282,679	-
Commingled Funds	935,511	935,511	-	-
Municipal Bonds	19,373	-	19,373	-
Short Term Investments	367,467	40,750	326,717	-
	<u>7,415,783</u>	<u>976,519</u>	<u>6,433,896</u>	<u>5,368</u>
<b>Other Investments</b>				
Adr's, GDRs & Trust	4,639	4,639	-	-
Equity Securities	1,809,023	1,809,019	4	-
Private Equity	17,182	17,142	39	-
Commingled Funds	7,307,371	3,175,151	4,132,221	-
Options	(21)	(30)	9	-
U.S. Treasury Investment Pool	415,345	-	415,345	-
Total Investments	<u>\$ 16,969,322</u>	<u>\$ 5,982,440</u>	<u>\$ 10,981,514</u>	<u>\$ 5,368</u>
<b>Investments measured at the net asset value (NAV):</b>				
		<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice period</b>
<b>Real Estate Funds:</b>				
Core	\$ 576,800	-	Quarterly	90 Days
Non-Core	227,048	170,497		
Private Equity Funds	591,881	484,858		
Short Term Investment Funds	266,582	-		
Opportunistic Credit Funds	103,198	-		
Other - Distressed Securities	149	-		
Total investments measured at net asset value	<u>\$ 1,765,658</u>	<u>\$ 655,355</u>		
Total	18,734,980			
Other Investments not classified	399,113			
Component unit investment in State investment pool	(910,400)			
Other fair value measurements	<u>3,781,768</u>			
Total Investments at fair value	<u>\$ 22,005,461</u>			

Debt securities and other investments classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities and other investments classified in Level 2 are valued using the following approaches:

- U.S. Treasury Notes and Bonds, Government Agency Securities, and Short Term Investments: quoted prices for identical securities in markets that are not active;
- Corporate, International, Municipal Bonds, and Equity Securities: quoted prices for similar securities in active markets;
- Asset Backed Securities, Bank Loans, and Mortgages: matrix pricing, based on accepted modeling and pricing conventions, of the securities' relationship to benchmark quoted prices;
- Commingled Funds: published fair value per share (unit) for each fund.

Debt securities and other investments including Asset Backed Securities, Corporate Bonds, and Mortgages, classified in Level 3 are valued using unobservable inputs, such as reviews, recommendations and adjustments made by portfolio management; or, the use of internal data to develop unobservable inputs if there is no objective information available without incurring undue cost and effort.

Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) have not been categorized in the fair value hierarchy. The fair value amounts at NAV presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statements of financial position. Investments valued using the net asset value per share are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The State values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The NAV table also presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the State’s alternative investments.

**Other investments not classified.** The following investments with fair value for financial statement purposes at June 30, 2016 were not classified for fair value measurement purposes: Securities Lending Short-term Collateral Investment Pool Investments in the amount of \$357,478 loaned to broker-dealers and banks under the securities lending program; Other Investments in the amount of \$33,072 presented as Commingled Funds held by a custodian for certain member accounts of the Nebraska Public Employees Retirement Systems Deferred Compensation Plan; and, Debt Securities in the amount of \$8,563 presented as Short Term Investments held by a trustee representing the balance of unexpended funds received from the issuance of capital lease obligations.

**Other fair value measurements.** The fair value of certain Other Investment amounts presented as Commingled Funds for the Nebraska Educational Savings Plan Trust (Trust) were measured on December 31, 2015. These investments were not re-valued on June 30, 2016. Following is a summary of the fair value measurement and related input level as presented in the Trust’s December 31, 2015 audited financial statements: Fair Value \$3,848,458; Input Levels: 1 - \$2,537,675; 2 - \$1,310,783; 3 - \$0. Additional information regarding these assets and related measurement details can be found in the Trust’s audited financial statement located on the Nebraska State Treasurer’s Office web site at [treasurer.nebraska.gov](http://treasurer.nebraska.gov).

The fair value of investments for the State and County Employees’ Retirement Plans are reported for financial statement purposes as of December 31, 2015. The investment balances on June 30, 2016 were re-valued for fair value measurement purposes, resulting in a decrease in fair value of \$66,690.

The primary government's investments at June 30, 2016 are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

**PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2016 FOR FINANCIAL STATEMENT PURPOSES**

	<b>GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>		<b>FIDUCIARY FUNDS</b>	
	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>	<b>FAIR VALUE</b>	<b>EFFECTIVE DURATION</b>
Debt Securities				
U.S. Treasury Notes and Bonds	\$ 899,916	3.67	\$ 520,282	8.23
U.S. Treasury Bills	-	-	87	-
Government Agency Securities	1,089,208	3.58	16,505	6.80
Corporate Bonds	1,635,640	4.19	707,529	5.89
International Bonds	1,516	3.83	166,320	8.58
Mortgages	78,571	2.31	566,809	2.44
Asset Backed Securities	7,554	1.00	109,354	1.54
Bank Loans	400	-	278,605	0.15
Commingled Funds	218,556	5.19	710,526	5.17
Municipal Bonds	2,413	10.50	17,461	10.50
Short Term Investments	263,754	0.48	192,911	0.12
	<u>4,197,528</u>		<u>3,286,389</u>	
Other Investments				
Adr's, GDRs & Trust	381		3,633	
Equity Securities	72,265		1,733,839	
Private Equity	101,268		794,471	
Commingled Funds	738,702		10,796,812	
Options	(4)		(19)	
Private Real Estate	26,831		390,942	
U.S. Treasury Investment Pool	415,345		-	
Less: Component Unit Investment in State Investment Pool	<u>(910,400)</u>		<u>-</u>	
Total Investments	4,641,916		17,006,067	
Securities Lending Short-term Collateral Investment Pool	<u>94,525</u>		<u>262,953</u>	
Total	<u>\$ 4,736,441</u>		<u>\$ 17,269,020</u>	

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price.

**Credit Risk of Debt Securities.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A. The maximum exposure to any single investment grade issuer excluding the U.S. government, its agencies or instrumentalities or government sponsored entities is 5 percent and the maximum exposure to a single issuer below investment grade is 3 percent. The primary government's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.



**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2016**

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 1,089,207	\$ -	\$ 1,064,660	\$ -	\$ -	\$ -	\$ -	24,547
Corporate Bonds	1,635,639	170,565	426,957	843,595	176,900	10,028	5,003	2,591
International Bonds	1,516	-	515	309	-	15	568	109
Mortgages	78,571	3,599	4,047	14	1,003	-	273	69,635
Asset Backed Securities	7,554	1,576	884	111	909	266	2,889	919
Commingled Funds	218,556	-	-	-	-	-	-	218,556
Short Term Investments	263,754	-	-	3,179	-	-	-	260,575
Municipal Bonds	2,413	1,531	882	-	-	-	-	-
Bank Loans	400	-	-	-	-	-	-	400

**FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2016**

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	\$ 17,838	\$ -	\$ 14,940	\$ 327	\$ -	\$ 309	\$ 1,535	727
Bank Loans	282,279	-	-	-	-	-	-	282,279
Corporate Bonds	711,678	12,886	24,791	138,790	392,198	84,680	39,614	18,719
International Bonds	169,352	20,023	35,082	66,437	29,680	3,264	5,237	9,629
Mortgages	560,524	51,656	23,051	3,248	7,411	2,765	3,033	469,360
Asset Backed Securities	106,819	43,356	10,120	16,406	7,444	1,359	15,044	13,090
Commingled Funds	716,954	-	-	-	-	-	-	716,954
Short Term Investments	188,071	-	-	-	-	-	-	188,071
Municipal Bonds	16,960	3,948	11,603	1,098	-	311	-	-

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2016, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent of total investments in Federal Farm Credit Bank (11 percent) and Federal Home Loan Bank (9 percent). At June 30, 2016, fiduciary funds had no investments that exceeded 5 percent or more of total investments.

**Securities Lending Transactions.** The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives collateral in the form of cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities. Securities on loan at year end consisted of United States government obligations, equity securities, corporate bonds, and non-US fixed income. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations from 25 to 45 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES  
FOREIGN CURRENCY AT JUNE 30, 2016**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ (2)	\$ 570	\$ -
Brazilian Real	3	125	116
Canadian Dollar	(22)	1,534	-
Columbian Peso	-	-	273
Czech Koruna	-	173	-
Danish Krone	14	311	-
Euro Currency	19	7,216	2,134
Hong Kong Dollar	4	583	-
Indian Rupee	-	-	432
Indonesian Rupiah	2	53	-
Japanese Yen	30	3,091	384
Malaysian Ringgit	5	358	-
Mexican Peso	127	252	717
New Israeli Sheqel	-	58	-
New Zealand Dollar	-	13	-
Norwegian Krone	1	174	-
Philippine Peso	-	42	-
Polish Zloty	19	58	-
Pound Sterling	17	3,736	1,001
Singapore Dollar	6	1,127	-
South African Rand	-	108	-
South Korean Won	-	509	-
Swedish Krona	6	1,517	-
Swiss Franc	10	3,864	-
Thailand Baht	(4)	73	-
<b>Total</b>	<b>\$ 235</b>	<b>\$ 25,545</b>	<b>\$ 5,057</b>

**FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2016**

<b>Currency</b>	<b>SHORT TERM INVESTMENTS</b>	<b>EQUITY SECURITIES</b>	<b>DEBT SECURITIES</b>
Australian Dollar	\$ (62)	\$ 11,202	\$ 4,826
Brazilian Real	41	4,154	437
Canadian Dollar	(56)	31,239	7,375
Columbian Peso	-	-	1,682
Czech Koruna	-	669	272
Danish Krone	-	12,579	1,196
Euro Currency	4,614	302,955	77,209
Hong Kong Dollar	287	20,304	-
Indian Rupee	-	-	2,447
Indonesian Rupiah	28	2,543	-
Japanese Yen	415	153,502	58,603
Malaysian Ringgit	29	6,649	944
Mexican Peso	597	4,267	5,333
New Israeli Sheqel	-	223	267
New Zealand Dollar	2	79	2,343
Norwegian Krone	61	1,527	223
Philippine Peso	3	-	-
Polish Zloty	83	1,421	1,159
Pound Sterling	433	94,660	21,468
Singapore Dollar	97	28,441	1,231
South African Rand	3	3,467	424
South Korean Won	-	14,812	3,532
Swedish Krona	-	37,790	887
Swiss Franc	-	103,981	2,357
Thailand Baht	-	2,336	-
Turkish Lira	-	2,735	243
<b>Total</b>	<b>\$ 6,575</b>	<b>\$ 841,535</b>	<b>\$ 194,458</b>

**Derivative Financial Instruments.** Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in futures and options contract values is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms. All changes in fair value of derivatives are reflected in Investment Income and the fair value of derivatives at June 30, 2016 is reflected in Investments. The fair value balances and notional amounts of investment derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

**DERIVATIVE INVESTMENTS AT JUNE 30, 2016**  
**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ (226)	\$ 169	\$ 28,312
Fixed Income Futures	-	977	20,334
Fixed Income Options	7	65	45,800
Foreign Currency Options	(37)	223	(6,059)
Futures Options	(4)	93	(16)
FX Forwards	(7)	(147)	43,061
Interest Rate Swap	(4,163)	(5,328)	101,805
Warrants	-	-	1

**DERIVATIVE INVESTMENTS AT JUNE 30, 2016**  
**FIDUCIARY FUND**

<b>Derivative</b>	<b>Fair Value</b>	<b>Change in Fair Value</b>	<b>Notional</b>
Credit Default Swap	\$ (554)	\$ 567	\$ 100,382
Fixed Income Futures	-	4,013	41,148
Fixed Income Options	42	366	262,900
Foreign Currency Options	(225)	1,355	(35,051)
Futures Options	(25)	523	(97)
FX Forwards	607	2,403	303,025
Interest Rate Swap	(23,366)	(28,330)	452,685
Rights	-	(1)	-
Warrants	-	-	6

The change in fair value denotes the net realized and unrealized gains and losses recognized during the period. The fair value of the derivative instruments at June 30, 2016, denotes the market value, with the exception of FX Forwards, which denotes the net realized and unrealized gains and losses recognized during the period. Furthermore, the notional amount for Futures and Options was calculated as contract size times the number of contracts. The State is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Nebraska Investment Council's policy to require counterparty collateral posting provisions in its non-exchange-traded derivative instruments. These terms require full collateralization of the fair value of derivative instruments in asset positions. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The Plans have never failed to access collateral when required.

The aggregate fair value of derivative instruments in asset positions at June 30, 2016, was \$650 for Governmental and Business-Type Activities and \$4,853 for the Fiduciary Fund. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. There is no collateral held or liabilities included in netting arrangements with those counterparties; therefore, the net exposure to credit risk is \$5,503. Although the State executes derivative instruments with various counterparties, there is net exposure to credit risk of approximately 60 percent for the Governmental and Business-Type Activities and 53 percent for the Fiduciary Fund, held with three counterparties. The counterparties are rated A or BBB.

The State is exposed to interest rate risk on its interest rate swaps. Interest rate swaps are agreements between two counterparties to exchange future cash flows. These are generally fixed versus variable flows, and can be either received or paid. These swaps are used to adjust interest rate and yield curve exposure and substitute for physical securities. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure. Counterparty risk is limited to monthly exchanged or netted cash flows. All of the State's interest rate swaps were fixed with a LIBOR (London Interbank Offered Rate) or SIFMA (Securities Industry and Financial Markets Association) reference rate. Foreign currency risk for derivative instruments at June 30, 2016 are as follows:

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2016  
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Australian Dollar	\$ -	\$ (21)	\$ (2)
Canadian Dollar	(112)	-	-
Yuan Renminbi	-	65	-
Euro Currency	(17)	11	(4)
Pound Sterling	-	85	(2)
Japanese Yen	-	(121)	-
South Korean Won	-	(21)	-
Mexican Peso	(14)	3	-
Malaysian Ringgit	-	(4)	-
Russian Ruble	-	(3)	-
New Taiwan Dollar	-	(1)	-
<b>Total</b>	<b>\$ (143)</b>	<b>\$ (7)</b>	<b>\$ (8)</b>

**DERIVATIVES FOREIGN CURRENCY AT JUNE 30, 2016  
FIDUCIARY FUND**

<b>Currency</b>	<b>Swaps</b>	<b>Forward Contracts</b>	<b>Fixed Income Options</b>
Australian Dollar	\$ -	\$ (86)	\$ (18)
Canadian Dollar	(706)	(16)	-
Swiss Franc	-	17	-
Yuan Renminbi	-	419	-
Danish Krone	-	7	-
Euro Currency	202	469	(24)
Pound Sterling	-	576	(9)
Hong Kong Dollar	-	(5)	-
Japanese Yen	-	(700)	-
South Korean Won	-	(137)	-
Mexican Peso	(3)	109	-
Malaysian Ringgit	-	(27)	-
Norwegian Krone	-	9	-
New Zealand Dollar	-	(4)	-
Polish Zloty	-	(21)	-
New Russian Ruble	-	(18)	-
Swedish Krona	-	16	-
Singapore Dollar	-	(2)	-
Thailand Baht	-	1	-
Turkish Lira	-	3	-
New Taiwan Dollar	-	(4)	-
South African Rand	-	1	-
<b>Total</b>	<b>\$ (507)</b>	<b>\$ 607</b>	<b>\$ (51)</b>

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2016 is as follows:

**Disclosure Regarding Deposits and Investments:**

Total Investments	\$ 22,005,461
Carrying amount of Deposits	<u>42,538</u>
Total	<u><u>\$ 22,047,999</u></u>

**Statement of Net Position:**

Cash and Cash Equivalents	\$ 737,191
Investments	3,801,817
Restricted Cash and Cash Equivalents	8,563
Securities Lending Collateral	94,525

**Statement of Fiduciary Net Position:**

Cash and Cash Equivalents	136,883
Investments	17,006,067
Securities Lending Collateral	<u>262,953</u>
Total	<u><u>\$ 22,047,999</u></u>

### 3. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2016:

**Governmental Activities:**

General Fund	\$ 102,507
Federal Fund	15,677
Health and Social Services Fund	<u>7,583</u>
Total Governmental Activities	<u><u>\$ 125,767</u></u>

**Business-type Activities:**

Unemployment Insurance	<u>\$ 4,943</u>
Total Business-type Activities	<u><u>\$ 4,943</u></u>

Of the taxes and other receivables, \$39,689 and \$18,766, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred inflows of resources in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 579,205	\$ 5,572	\$ -	\$ 584,777
Infrastructure	7,329,963	128,561	-	7,458,524
Construction in progress	321,610	94,356	150,195	265,771
Total capital assets, not being depreciated	8,230,778	228,489	150,195	8,309,072
Capital assets, being depreciated:				
Buildings and improvements	644,887	27,201	1,423	670,665
Equipment	499,967	49,491	18,306	531,152
Total capital assets, being depreciated	1,144,854	76,692	19,729	1,201,817
Less accumulated depreciation for:				
Buildings and improvements	297,182	14,409	33	311,558
Equipment	389,059	35,142	17,182	407,019
Total accumulated depreciation	686,241	49,551	17,215	718,577
Total capital assets, being depreciated, net	458,613	27,141	2,514	483,240
Governmental activities capital assets, net	<u>\$ 8,689,391</u>	<u>\$ 255,630</u>	<u>\$ 152,709</u>	<u>\$ 8,792,312</u>
<b>Business-type activities:</b>				
<b>Unemployment Insurance</b>				
Equipment, being depreciated	\$ 324	\$ -	\$ 78	\$ 246
Less accumulated depreciation	324	-	78	246
Total Unemployment Insurance, net	-	-	-	-
<b>Nonmajor Enterprise Funds</b>				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	8,442	-	-	8,442
Equipment	5,516	348	137	5,727
Total capital assets, being depreciated	13,958	348	137	14,169
Less accumulated depreciation for:				
Buildings and improvements	2,689	211	-	2,900
Equipment	4,554	291	131	4,714
Total accumulated depreciation	7,243	502	131	7,614
Total capital assets, being depreciated, net	6,715	(154)	6	6,555
Total Nonmajor Enterprise, net	7,030	(154)	6	6,870
Business-type activities capital assets, net	<u>\$ 7,030</u>	<u>\$ (154)</u>	<u>\$ 6</u>	<u>\$ 6,870</u>

Current period depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
General Government	\$ 18,160
Conservation of Natural Resources	1,727
Culture – Recreation	1,915
Economic Development and Assistance	197
Education	1,518
Health and Social Services	1,726
Public Safety	9,886
Regulation of Business and Professions	532
Transportation	13,890
Total depreciation expense - Governmental activities	<u>\$ 49,551</u>

**Construction Commitments.** At June 30, 2016, the State had contractual commitments of approximately \$760,879 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	\$ 262,707
State funds	492,038
Local funds	6,134
	<u>\$ 760,879</u>

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

## 5. Interfund Balances

Due To/From Other Funds at June 30, 2016 consists of the following:

DUE FROM	DUE TO								TOTALS
	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Pension Trust	
General Fund	\$ -	\$ 43	\$ 34	\$ 2	\$ 336	\$ 223	\$ 15,464	\$ 47,303	\$ 63,405
Highway Fund	-	-	152	2	204	567	3,252	-	4,177
Federal Fund	60,044	3	-	2,713	1,332	81	5,837	-	70,010
Health and Social Services	-	2	-	-	-	25	328	-	355
Permanent School Fund	14	-	-	-	-	-	4	-	18
Nonmajor Governmental Funds	1	193	11	103	64	40	13,935	-	14,347
Nonmajor Enterprise Funds	-	9	-	-	1	-	94	-	104
Internal Service Funds	1	25	-	-	49	77	778	-	930
Pension Trust	-	-	-	-	-	-	104	-	104
Private Purpose Trust	-	-	-	-	-	-	7	-	7
<b>TOTALS</b>	<b>\$ 60,060</b>	<b>\$ 275</b>	<b>\$ 197</b>	<b>\$ 2,820</b>	<b>\$ 1,986</b>	<b>\$ 1,013</b>	<b>\$ 39,803</b>	<b>\$ 47,303</b>	<b>\$ 153,457</b>

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilities, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature.

Interfund transfers at June 30, 2016 consist of the following:

TRANSFERRED FROM:	TRANSFERRED TO:				TOTALS
	General Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 104,826	\$ 104,826
Highway Fund	26	-	-	10,779	10,805
Federal Fund	-	-	-	13,436	13,436
Health & Social Services Fund	1,000	-	-	344	1,344
Nonmajor Governmental Funds	66,202	45	90	3,599	69,936
Unemployment Fund	-	660	-	5,971	6,631
Nonmajor Enterprise Funds	-	-	923	41,860	42,783
<b>TOTALS</b>	<b>\$ 67,228</b>	<b>\$ 705</b>	<b>\$ 1,013</b>	<b>\$ 180,815</b>	<b>\$ 249,761</b>

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

## 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2016 consist of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	\$ 19,886	\$ 6,542	\$ 7,034	\$ 751	\$ -	\$ 4,374	\$ 1,926	\$ -	\$ 298	\$ 40,811
Payables to Vendors	71,951	75,089	49,429	9,435	117,239	34,876	11,507	2,952	24,978	397,456
Payables to Governments	39,559	15,696	121,659	1,043	7,173	6,007	234	-	19	191,390
Due to Fiduciary Funds *	-	-	-	-	-	-	47,303	-	-	47,303
Miscellaneous	-	-	-	-	-	477	-	32	6,833	7,342
<b>TOTALS</b>	<b>\$ 131,396</b>	<b>\$ 97,327</b>	<b>\$ 178,122</b>	<b>\$ 11,229</b>	<b>\$ 124,412</b>	<b>\$ 45,734</b>	<b>\$ 60,970</b>	<b>\$ 2,984</b>	<b>\$ 32,128</b>	<b>\$ 684,302</b>

\* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Position.

## 7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2016 are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<b>Governmental Activities:</b>					
Claims Payable	\$ 254,662	\$ 2,050,753	\$ 2,020,756	\$ 284,659	\$ 238,392
Capital Lease Obligations	15,475	25,480	6,175	34,780	9,820
Obligations Under Other Financing Arrangements	-	1,425	1,425	-	-
Compensated Absences	131,142	18,309	17,861	131,590	11,845
Net Pension Liability	289,309	48,102	-	337,411	-
<b>Totals</b>	<b>\$ 690,588</b>	<b>\$ 2,144,069</b>	<b>\$ 2,046,217</b>	<b>\$ 788,440</b>	<b>\$ 260,057</b>
<b>Business-type Activities:</b>					
<b>Unemployment Insurance:</b>					
Claims Payable	\$ 7,759	\$ 78,727	\$ 80,141	\$ 6,345	\$ 6,345
Compensated Absences	-	7	7	-	-
<b>Totals for Unemployment Insurance</b>	<b>7,759</b>	<b>78,734</b>	<b>80,148</b>	<b>6,345</b>	<b>6,345</b>
<b>Nonmajor Enterprise Funds:</b>					
Claims Payable	18,748	8,417	9,750	17,415	8,176
Compensated Absences	910	78	82	906	81
<b>Totals for Nonmajor Enterprise Funds</b>	<b>19,658</b>	<b>8,495</b>	<b>9,832</b>	<b>18,321</b>	<b>8,257</b>
<b>Totals for Business-type Activities</b>	<b>\$ 27,417</b>	<b>\$ 87,229</b>	<b>\$ 89,980</b>	<b>\$ 24,666</b>	<b>\$ 14,602</b>

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Obligations under other financing arrangements have been liquidated in the special revenue funds.



**8. Lease Commitments**

**Capital and Operating Leases.** The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principal and interest) and the present value of future minimum payments for capital leases as of June 30, 2016 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2017	\$ 10,374
2018	8,443
2019	6,726
2020	5,954
2021	3,304
2022-2026	1,586
Total Minimum Payments	36,387
Less: Interest and executory costs	1,607
Present value of net minimum payments	<u>\$ 34,780</u>

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2016:

	GOVERNMENTAL ACTIVITIES
Equipment	\$ 48,480
Less: accumulated depreciation	(19,197)
Carrying value	<u>\$ 29,283</u>

The minimum annual lease payments for operating leases as of June 30, 2016 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2017	\$ 9,278
2018	3,847
2019	3,767
2020	3,640
2021	3,386
2022-2026	6,090
2027-2031	4,904
2032-2036	3,798
Total	<u>\$ 38,710</u>

Primary Government operating lease payments for the year ended June 30, 2016 totaled \$14,546.

**Lessor Transactions.** The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2016, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of \$54,338 were received under these and other lease agreements for the year ended June 30, 2016.

**9. Obligations Under Other Financing Arrangements**

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

On June 18, 2015 the State in-substance defeased the Drinking Water State Revolving Fund Revenue Bonds, series 2010A, by depositing \$2,680 with an escrow agent in trust. The in-substance defeasance was funded by available cash. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt. These bonds are scheduled to be redeemed on July 1, 2017.

Accordingly, trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements. As of June 30, 2016, bonds totaling \$2,315 are considered defeased.

As of June 30, 2016 the State has no Obligations Under Other Financing Arrangements.

**10. Governmental Fund Balances**

The State's governmental fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are imposed by law through constitutional provisions or are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2016, follows:

<b>Governmental Fund Balances</b>						
	<b>General Fund</b>	<b>Highway Fund</b>	<b>Federal Fund</b>	<b>Health and Social Services</b>	<b>Permanent School Fund</b>	<b>Nonmajor Funds</b>
Restricted for:						
Education	\$ -	\$ -	\$ -	\$ -	\$ 248,226	\$ 29,289
Health and Social Services	-	-	-	527,322	-	36,944
Conservation of Natural Resources	-	-	-	-	-	629,420
Transportation	-	205,110	-	-	-	10,512
Licensing and Regulation	-	-	-	-	-	109,736
Economic Development	-	-	-	-	-	62,556
Public Safety	-	-	-	-	-	28,710
Culture – Recreation	-	-	-	-	-	48,153
Other Purposes	-	-	8,162	-	-	39,258
Total Restricted	<u>\$ -</u>	<u>\$ 205,110</u>	<u>\$ 8,162</u>	<u>\$ 527,322</u>	<u>\$ 248,226</u>	<u>\$ 994,578</u>
Committed to:						
Economic Stabilization	730,655	-	-	-	-	-
Other Purposes	-	-	-	-	-	113,034
Total Committed	<u>\$ 730,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,034</u>
Assigned to:						
Education	-	-	-	-	-	635
Health and Social Services	-	-	-	555	-	1,541
Licensing and Regulation	-	-	-	-	-	40,211
Economic Development	-	-	-	-	-	75
Public Safety	-	-	-	-	-	695
Culture – Recreation	-	-	-	-	-	91
Other Purposes	-	-	-	-	-	2,434
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ -</u>	<u>\$ 45,682</u>

## 11. Contingencies and Commitments

**Grants and Contracts.** The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State, except for the following event identified subsequent to June 30, 2016: On November 16, 2016 the State disclosed having received, on or before June 30, 2016, audit reports claiming payment for disallowed costs, penalties and fines for the State's failure to meet federal requirements related to various federal grant programs. The State is in the process of contesting these claims. However, there exists a reasonable possibility that they will be settled in the future at an estimated amount of \$45 million or more.

**Litigation.** The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

## 12. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers. All vehicles owned by the State are covered to the maximum of \$5,000 limit and a \$300 retention per occurrence for liability (bodily injury and property damage to personal or real property) caused by a State vehicle. There is also an additional \$300 corridor retention.

Risk Management has procured excess commercial crime coverage in the amount of \$31,000 with a self-insured retention of \$25. Risk Management has procured excess property coverage in the amount of \$251,000 with a self-insured retention of \$200. Each State agency has the option of purchasing insurance coverage for its contents, i.e. personal property. This coverage is not required, but Risk Management will purchase such coverage on behalf of an agency at its direction. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non-incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of \$45,432 at a discounted rate of 2.0 percent (\$7,534).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2016, and 2015, were as follows:

	Fiscal Year	
	2016	2015
Beginning Balance	\$ 78,146	\$ 72,693
Current Year Claims and		
Changes in Estimates	(222,553)	(192,391)
Claim Payments	219,755	197,844
Ending Balance	\$ 75,348	\$ 78,146

### 13. Pension Plans

#### Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska County Employee Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a), 414(h) and 414(k). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained on the Nebraska Public Employees Retirement System (NPERS) website at: [npers.ne.gov](http://npers.ne.gov). Information on NPERS may also be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

**Basis of Accounting.** The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Plan Description and Funding Policy.** By State law, there is to be an equitable allocation of all plan administration expenses among the retirement systems administered by the Board, and all such expenses shall be provided from the investment income earned by the various retirement funds.

The main benefits provided by each of these plans are retirement benefits. However, the plan also provides ancillary benefits in the event of pre-retirement death, disability, or termination of employment prior to meeting the eligibility requirements to retire.

Following is a summary of each of these plans:

**State Employees' Retirement.** This single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is a single life annuity with five-year-certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity and have the option to purchase a built in cost-of-living adjustments of 2.5 percent annually. If the retiree elects an annuity with no cost-of-living adjustments, the monthly annuity amount will never change. If the retiree purchases the cost-of-living adjustment, the annuity dollar amount increases 2.5 percent each year. Also available are additional forms of payment allowed under the plan, which are actuarially equivalent to the normal form, including the option of a full or partial lump-sum.

Under the defined contribution option, a member upon attainment of age 55, regardless of service, the retirement allowance is equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

For both the cash balance and defined contribution plans, the amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the plan's fiscal year ended December 31, 2015.

Participation in the plan is required for all permanent full-time employees upon employment. Part-time employees may elect voluntary participation upon reaching age 18. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 84-1301 through 84-1333 (Reissue 2014)) and may be amended only by the Nebraska Legislature. Pursuant to state statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member

and State payroll-related contributions are insufficient to meet the full actuarial contribution; the remainder is paid by the State.

As of December 31, 2015, there were 24,986 members in the plan. Of these members, 15,663 were active, 7,887 were inactive, and 1,436 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$34,770 and State contributions of \$54,213 for the plan year ended December 31, 2015.

**School Employees' Retirement.** The State is the plan sponsor for the School Retirement System, a cost-sharing multiple-employer defined benefit pension plan, with 266 participating school districts; and, the Service Annuity Plan, a single-employer defined benefit pension plan. The State is also a non-employer contributing entity for the Omaha School Employees' Retirement System.

Participation in the School plan is required for all permanent employees of a Nebraska school district (other than the Omaha Public School District), an educational service unit, the state or county (if the position with the state or county requires a teaching certificate), working at least 20 hours per week on an ongoing basis, or with a full-time contract. Once an employee meets the requirements to participate in the plan, they will remain in the plan until termination or retirement. Members' benefits are vested after five years of plan participation or when termination occurs at age 65 or later.

In this plan, the State is in a special funding situation and contributes 2 percent of estimated payroll for the plan year. The employees' contribution is 9.78 percent of their compensation. Pursuant to state statute, a fixed contribution rate is paid by the employers. Currently the school district's contribution is 101 percent of the employees' contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 79-901 through 79-977.03 (Cum. Supp. 2016, Reissue 2014) and may be amended only by the Nebraska Legislature.

Normal retirement age is 65. Unreduced benefits are also available for a member who is at least age 55 and whose age plus service equals or exceeds 85 (Rule of 85). The monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the three 12-month periods of service as a school employee in which such compensation was the greatest, multiplied by total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. For an employee who became a member on or after July 1, 2013, the monthly benefit is equal to the greater of: 1) The sum of a savings annuity, which is the actuarial equivalent of the member's accumulated contributions and a service annuity equal to \$3.50 per year of service; or 2) the average of the five 12-month periods of service in which such compensation was the greatest, multiplied by the total years of creditable service, multiplied by a formula factor (currently 2 percent) set by statute, and an actuarial factor based on age. Benefit calculations vary with early retirement.

For employees who became members prior to July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit. For employees who became members on or after July 1, 2013, the benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment, which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or one percent.

The accompanying financial statements include member contributions of \$177,152, employer contributions of \$179,609, and State contributions of \$36,920 for the plan year ended June 30, 2016.

The Service Annuity Plan provides benefits for the employees of the Omaha Public School District equal to \$3.50 times years of services. In this plan, the State is in a special funding situation because the benefits provided to the employees of the Omaha Public School District are funded exclusively by the State. There are no employee or employer contributions made to the plan. The benefit and contribution provisions for this plan are established by State law and may be amended only by the Nebraska Legislature.

Retirement is at age 65 with 5 years of service. Early retirement is at age 55 with 10 years of service, five of which must be with the Omaha Public School District. The benefit vests when the member has five years of service.

As of September 1, 2015, there were 8,377 members in the plan. Of these members, 7,393 were active and 984 were inactive. For the fiscal year ending June 30, 2016, the Service Annuity received \$997 in non-employer contributions from the State.

Under state statutes, the State, as a non-employer contributing entity with a special funding situation in the Omaha School Employees' Retirement System, contributes 2% of the members' compensation. The accompanying financial statements include the State's special funding contribution of \$6,661 for the plan year ended June 30, 2016.

**Judges Retirement.** The Judges Retirement System is a single-employer defined benefit pension plan. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits vest when the member takes office.

Retirement is at age 65 with benefits calculated using the compensation for the three 12-month periods of service as a judge in which compensation was the greatest, or the average monthly compensation, multiplied by the total years of service and the formula factor of 3.5 percent, subject to a maximum of 70 percent of the final average salary. The calculation varies with early retirement.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 75 percent of the purchasing power of the initial benefit.

The plan is funded by members' contributions, a portion of court fees collected, and the State's contribution. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 24-701 through 24-714 (Reissue 2016)) and may be amended only by the Nebraska Legislature. Each member hired after July 1, 2004, contributes nine percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, members contribute five percent of their monthly salary for the remainder of their active service. All other members contribute seven percent of their monthly salary until the maximum benefit has been earned. After earning the maximum benefit, those members contribute one percent of their monthly salary for the remainder of their active service. A six dollar fee for each case is collected for District and County courts, Juvenile courts, the Workers' Compensation Court, the Supreme Court, and the Court of Appeals, plus a 10 percent charge on certain fees collected in the County courts. An actuarial valuation is performed each year to determine the actuarial required contribution. To the extent member contributions and court fees are insufficient to meet the full actuarial required contribution, the remainder is paid by the State.

As of June 30, 2016, there were 335 members in the plan. Of these members, 149 were active, 2 were inactive, 5 were disabled and 179 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$1,651, court fees of \$3,459 and State contributions of \$0 for the plan year ended June 30, 2016.

**State Patrol Retirement.** The State Patrol Retirement System is a single-employer defined benefit pension plan for officers of the Nebraska State Patrol.

Participation is required upon employment. Members are required to contribute sixteen percent of their monthly salary, and the State Patrol contributes sixteen percent. Benefit and contribution provisions are established by State law (Neb. Rev. Stat. §§ 81-2014 through 81-2041 (Cum. Supp. 2016, Reissue 2014)) and may be amended only by the Nebraska Legislature. Pursuant to this statute, an actuarial valuation is performed each year to determine the actuarial required contribution. To the extent the member and employer statutory contributions are insufficient to meet the full actuarial required contribution; the remainder is paid by the State as an additional contribution. Member benefits vest when the officer completes six years of service.

Unreduced retirement benefits are payable upon meeting the following criteria: 1) age 50 and 25 years of service, 2) age 55 and 10 years of service, or 3) age 60 regardless of service. The retirement benefit is calculated using the compensation for the three 12-month periods of service in which compensation was the greatest, multiplied by the total years of service and the formula factor of 3.0 percent, subject to a maximum of 75 percent of the final average salary. The calculation varies with early retirement which is available at age 50 and 10 years of service.

The benefit paid to a retired member or beneficiary receives an annual cost-of-living adjustment which is increased by the lesser of the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers or two and one-half percent. The current benefit paid to a retired member or beneficiary shall be adjusted so that the purchasing power of the benefit being paid is not less than 60% of the purchasing power of the initial benefit.

Deferred Retirement Option Plan (DROP) Neb. Rev. Stat. § 81-2041 (Cum. Supp. 2016) established the Patrol DROP effective September 1, 2008. The DROP is a voluntary deferred retirement plan that a member can enter between the ages of 50 and 60, with 25 years of service. Upon choosing to participate in DROP, the member is deemed to have retired; however, the member continues in active employment for up to a five-year period with no retirement contributions withheld from his or her paychecks. When the member enters DROP, the individual's monthly benefit is calculated and paid into an IRC § 414(k) Deferred Compensation Plan (DCP). After the member retires (60 years of age) or has been in DROP for five years, whichever occurs first, the member then has the option to receive a lump sum payment and/or rollover the funds in the DCP account to another qualified plan. Thereafter, future retirement benefit payments are made directly to the member.

As of June 30, 2016, there were 891 members in the plan. Of these members, 393 were active, 27 were inactive, 15 were disabled, 52 were participating in the DROP program, and 404 were retirees or beneficiaries receiving benefits. The accompanying financial statements include member contributions of \$4,360, and State contributions of \$7,086 for the plan year ended June 30, 2016.

### Other Plan Administered

**County Employees' Retirement.** In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003 elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003 become members of the cash balance benefit. Under the cash balance benefit, a member upon attainment of age 55, regardless of service, receives a retirement allowance equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment. Members have options on how to receive the payment. For both Cash Balance and Defined Contribution plans, benefits are vested after three years of plan participation. Members can become vested in less than three years if they attain age 55 before terminating employment, die before terminating employment or qualify for disability retirement.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to participate. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent for the first four and one half percent and 100 percent for the extra one and two percent. The State does not contribute to this plan.

As of December 31, 2015, there were 11,342 members in the plan. Of these members, 7,610 were active, 3,219 were inactive, and 513 were retirees or beneficiaries receiving benefits. Members contributed \$13,391 and counties contributed \$19,643 during the year ended December 31, 2015, which was equal to required contributions.

### Net Pension Liability/(Asset)

The net pension liability/(asset) calculation for the Judges, Patrol and Service Annuity plans, and the collective net pension liability for the School plan were performed with a measurement date of June 30, 2015. The total pension asset for the Judges plan and the total pension liability for the Patrol, Service Annuity and School plans as of June 30, 2015 were determined based on the annual actuarial funding valuation report prepared as of July 1, 2015.

The net pension asset calculation for the State Employees' Retirement plan was performed with a measurement date of December 31, 2015. The total pension asset as of December 31, 2015 was determined based on the annual actuarial funding valuation report prepared as of January 1, 2016.

The net pension liability calculation for the Omaha School Employees' Retirement System was performed with a measurement date of August 31, 2015. The total pension liability as of August 31, 2015 was determined based on the annual actuarial funding valuation report prepared as of September 1, 2014.

The State Employees' Retirement plan, the State Patrol Retirement plan and the Judges' Retirement plan are all single employer plans with the State as the employer. The State will report 100 percent of the net pension liability/(asset) for each of those plans.

The State is a non-employer with a special funding situation for the school retirement plans. The State reported a \$289,829 total pension liability for its proportionate share of the collective net pension liability for the school retirement plans. The State's share is a combination of \$188,604 from the Nebraska Public Employees Retirement System's School plan, \$3,392 from the Service Annuity plan, and \$97,833 from the Omaha School Employees' Retirement System. The State's percentage of its proportionate share of the net pension liability for the Nebraska Public Employees Retirement System's School plan is 17.32 percent, the Service Annuity plan is 100 percent, and the Omaha School Employees' Retirement System is 16.84 percent. In the School plan and the Omaha School Employees Retirement System, the determination of proportionate share is based on individual employer contribution information.

The key actuarial assumptions used to measure the total pension liability, as of the latest valuation date, are as follows:

	STATE CASH BALANCE	STATE PATROL RETIREMENT	JUDGES' RETIREMENT	SCHOOL RETIREMENT AND SERVICE ANNUITY	OMAHA SCHOOL EMPLOYEES' RETIREMENT
Measurement Date	12/31/2015	6/30/2015	6/30/2015	6/30/2015	8/31/2015
Actuarial Valuation Date	1/1/2016	7/1/2015	7/1/2015	7/1/2015	9/1/2014
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed	Level percent of payroll, closed
Single Amortization Period	25 years	22 years	23 years	21 years	30 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	market related smoothed value
Actuarial Assumptions:					
Investment Rate of Return **	7.75%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.0% to 5.43%	4.0% to 9.5%	4.0%	4.0% to 9.0%	4.0% to 5.6%

\*\* Includes assumed inflation of 3.25% per year for State, Judges Patrol, and School plans, 3.00% for Omaha School Employees Retirement System

**Mortality Rates.** The Judges, State, School, and Service Annuity plans' pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The Judges, State, School, and Service Annuity plans' post-retirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct). The Patrol plan's post-retirement mortality rates are the same as pre-retirement rates.

The Patrol plan's pre-retirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set-back one year (sex distinct).

The Omaha School Employees' Retirement System pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates are the same as pre-retirement rates.

The Patrol, School and Service Annuity plans' disability mortality rates were based on the 1983 Railroad Retirement Board Disabled Annuitants Mortality (unisex). The Judges plan did not utilize a disability mortality rate.

The Omaha School Employees' Retirement System post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

The actuarial assumptions used in the January 1, 2016 valuation for the State are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the July 1, 2015, valuations for the School, Judges, and Patrol plans are based on the results of the most recent actuarial experience study, for the period July 1, 2006 - June 30, 2011. The experience study report is dated August 20, 2012.

The actuarial assumptions used in the September 1, 2014 valuation for the Omaha School Employees' Retirement System were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2012. The experience study report is dated December 23, 2013.



**Target Asset Allocation.** The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, who is responsible for investing the pension plan assets. The School, Service Annuity, State, Judges, and Patrol plans commingle their investments; thus, the target allocations are the same for each of the plans. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return *</b>
US Stocks	29.00%	4.4%
Non-US Stocks	13.50%	5.2%
Global Stocks	15.00%	4.8%
Fixed Income	30.00%	2.1%
Real Estate	7.50%	4.4%
Private Equity	5.00%	6.7%
Total	100.00%	

\*Geometric mean, net of investment expense

For the Omaha School Employees' Retirement System, the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by the System's investment consultant for the last experience study, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return *</b>
Small Cap US Equity	12.00%	7.1%
Global Equity	15.00%	7.6%
Specialty Funds	15.00%	11.0%
Alternatives	25.00%	7.6%
Fixed Income	5.00%	3.4%
High Yield Investments	16.00%	5.9%
Real Estate	12.00%	7.0%
Total	100.00%	

\*Arithmetic mean, net of investment expenses

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent for the State and 8 percent for Judges, Patrol and Schools. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The change in the net pension liability/(asset) is presented in the following schedules:

### Judges Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2014	\$ 156,327	\$ 158,790	\$ (2,463)
Changes for the year:			
Service Cost	4,759	-	4,759
Interest on Total Pension Liability	12,171	-	12,171
Differences between expected and actual experience	(2,614)	-	(2,614)
Court fees	-	2,977	(2,977)
State Appropriations	-	94	(94)
Benefit payments, including member refunds	(8,548)	(8,548)	-
Employee contributions	-	1,611	(1,611)
Net investment income	-	5,959	(5,959)
Administrative expenses	-	(83)	83
Net changes	5,768	2,010	3,758
Balance at 6/30/2015	\$ 162,095	\$ 160,800	\$ 1,295

### State Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 12/31/2014	\$ 1,199,842	\$ 1,305,037	\$ (105,195)
Changes for the year:			
Service Cost	57,305	-	57,305
Interest on Total Pension Liability	89,967	-	89,967
Benefit term Changes	35,892	-	35,892
Differences between expected and actual experience	721	-	721
Benefit payments, including member refunds	(85,278)	(85,278)	-
Employer contributions	-	43,339	(43,339)
Employee contributions	-	27,799	(27,799)
Net investment income	-	14,784	(14,784)
Administrative expenses	-	(1,079)	1,079
Transfers	5,849	5,849	-
Net changes	104,456	5,414	99,042
Balance at 12/31/2015	\$ 1,304,298	\$ 1,310,451	\$ (6,153)

### State Patrol Retirement Plan

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balance at 6/30/2014	\$ 401,416	\$ 357,317	\$ 44,099
Changes for the year:			
Service Cost	7,563	-	7,563
Interest on Total Pension Liability	31,350	-	31,350
Differences between expected and actual experience	(10,659)	-	(10,659)
Benefit payments, including member refunds	(19,459)	(19,459)	-
Employer contributions	-	8,647	(8,647)
Employee contributions	-	4,180	(4,180)
Net investment income	-	13,333	(13,333)
Administrative expenses	-	(117)	117
Other changes	-	22	(22)
Net changes	8,795	6,606	2,189
Balance at 6/30/2015	\$ 410,211	\$ 363,923	\$ 46,288

**Sensitivity of the net pension liability/(asset) to changes in the discount rate.** The following presents the net pension liability/(asset) of the plans calculated using the current discount rate of 8 percent for Judges, Patrol, and School. A current discount rate of 7.75 percent was used for the State plan. The table also shows what the plans' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

<b>Net Pension Liability / (Asset)</b>				
	<b>1% Decrease (7.00%)</b>		<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
School	\$ 567,877	\$	289,829	\$ 58,424
Judges	17,695		1,295	(12,848)
Patrol	100,789		46,288	1,664
	<b>1% Decrease (6.75%)</b>		<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
State	\$ 104,779	\$	(6,153)	\$ (101,272)

**Changes to Actuarial Assumptions Subsequent Event to June 30, 2016.** At the October 17, 2016 Board Meeting, the Nebraska Public Employees Retirement Board voted to accept the economic and demographic assumptions recommended by the actuary outlined in the 2016 Experience study with an effective date of January 1, 2018, for the State and County Cash Balance Plans. The effective date for the School, Judges, and Patrol plans is July 1, 2017. The key changes in economic assumptions are as follows: Price Inflation, Investment Return, General Wage Growth, Wage Inflation, Cash Balance Interest Crediting Rate, and Cost of Living Adjustment. The key changes in demographic assumptions are as follows: Post Retirement Mortality, Pre-Retirement Mortality, Retirement, Termination, Disability, and Disabled Life Mortality. Details of the assumption changes effective for future years are available in the audited pension financials.

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports prepared by the Nebraska Public Employees Retirement Board and the Omaha School Employee Retirement System.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As a result of its requirement to contribute to these retirement plans, the State recognized expense of \$79,670 for the year ended June 30, 2016. Of this amount, \$5,167 pension income was recognized for the Nebraska Public Employees Retirement System's School plan, \$73,503 expense was recognized for the State plan, \$9,422 pension expense was recognized for the Omaha School Plan, \$224 pension expense was recognized for the State Patrol Plan, \$851 pension expense was recognized for the Judges Plan, and \$837 in pension expense was recognized for the Service Annuity. In the accompanying financial statements, presented as of June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
<b>Actuarial Calculations:</b>		
<b>Judges Retirement</b>		
Differences between expected and actual experience	\$ 22	\$ 2,021
Net difference between projected and actual earnings on pension plan investments	5,272	8,214
<b>Patrol Retirement</b>		
Differences between expected and actual experience	-	10,486
Net difference between projected and actual earnings on pension plan investments	11,991	18,280
<b>School Retirement</b>		
Differences between expected and actual experience	131	33,383
Net difference between projected and actual earnings on pension plan investments	75,779	90,954
Changes in proportion	126	3,095
<b>State Retirement</b>		
Differences between expected and actual experience	608	7,788
Net difference between projected and actual earnings on pension plan investments	75,538	-
<b>Total Actuarial Calculations</b>	<b>169,467</b>	<b>174,221</b>
<b>Employer Contributions Paid Subsequent to Actuarial Measurement Date:</b>		
Judges Retirement	3,459	-
Patrol Retirement	7,086	-
School Retirement	44,578	-
<b>TOTAL</b>	<b>\$ 224,590</b>	<b>\$ 174,221</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Judges		Patrol		School		State	
	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow	Inflow
2017 \$	4,787 \$	3,331 \$	10,084 \$	9,279 \$	63,538 \$	38,619 \$	19,557 \$	1,715
2018	1,328	3,331	2,998	9,279	18,960	38,619	19,557	1,715
2019	1,321	3,331	2,998	9,194	18,960	38,619	19,557	1,715
2020	1,318	243	2,998	1,013	18,960	6,670	17,312	1,715
2021	-	-	-	-	15	1,794	112	1,715
Thereafter			-	-	55	15	51	927
Total \$	8,754 \$	10,236 \$	19,078 \$	28,765 \$	120,488 \$	124,336 \$	76,146 \$	9,502

### Payable to the Pension Plans

At June 30, 2016, the State reported a payable of \$47,303 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

### 14. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2016, there was no outstanding debt for either of these purposes.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

	INTEREST RATES	BALANCE JUNE 30, 2016
<b>BONDS PAYABLE</b>		
<b>COMPONENT UNITS</b>		
University of Nebraska	1.00%-6.00%	\$ 826,625
Nebraska State Colleges	0.30%-5.05%	67,049
Component Units Total		<u>\$ 893,674</u>

**COMPONENT UNITS  
DEBT SERVICE REQUIREMENTS TO MATURITY**

<b>YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2017	\$ 61,061	\$ 36,768	\$ 97,829
2018	90,970	33,984	124,954
2019	71,756	30,778	102,534
2020	55,032	28,272	83,304
2021	72,485	26,301	98,786
2022 - 2026	180,900	101,499	282,399
2027 - 2031	155,320	64,695	220,015
2032 - 2036	102,855	35,937	138,792
2037 - 2041	70,490	14,442	84,932
2042 - 2046	31,745	2,995	34,740
2047	1,060	19	1,079
Total	<u>\$ 893,674</u>	<u>\$ 375,690</u>	<u>\$ 1,269,364</u>

## 15. Restatements

Component Units Net Position – The Nebraska State College System restated prior year net position due to overstatement of some liabilities and understatement of assets. These errors caused the fiscal year 2015 ending net position to be understated. As a result, the beginning Net Position for Component Units on the Statement of Activities increased by \$457.

University of Nebraska Foundation – As of July 1, 2015, the Board of Directors for the UNF Charitable Gift Fund (UNFCGF), a related organization, amended its articles of incorporation and bylaws to grant control of its board to the Board of Directors of the Foundation. The Foundation has accounted for the change in control as a change in reporting entity for financial reporting purposes. As such, the financial statements of the UNFCGF are consolidated with the Foundation's 2016 financial statements and its net assets as of July 1, 2015 of \$4,736, have been reflected as an addition to net assets in the accompanying statement of activities.

The Federal Fund beginning Fund Balance for fiscal year 2015 was increased by \$5,957 due to a loans receivable that had not been reported in the prior year. This resulted in an increase in the Governmental Activities Net Position – Beginning on the Statement of Activities of \$5,957.

---

## REQUIRED SUPPLEMENTARY INFORMATION

---



State of Nebraska

# **REQUIRED SUPPLEMENTARY INFORMATION** **BUDGETARY COMPARISON SCHEDULE** **GENERAL FUND**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 4,348,099	\$ 4,294,243	\$ 4,182,224	\$ (112,019)
Federal Grants and Contracts	624	624	624	-
Sales and Charges	22,219	22,219	22,219	-
Other	34,975	34,975	34,975	-
Total Revenues	<u>4,405,917</u>	<u>4,352,061</u>	<u>4,240,042</u>	<u>(112,019)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	375,688	377,657	354,255	23,402
Conservation of Natural Resources	47,646	47,566	34,533	13,033
Culture – Recreation	13,194	13,278	10,442	2,836
Economic Development and Assistance	25,423	25,671	13,093	12,578
Education	2,016,004	2,010,981	1,967,932	43,049
Health and Social Services	1,802,478	1,695,420	1,524,174	171,246
Public Safety	321,947	326,351	287,441	38,910
Regulation of Business and Professions	4,144	4,177	3,780	397
Transportation	-	-	-	-
Capital Projects	8,989	8,989	-	8,989
Total Expenditures	<u>4,615,513</u>	<u>4,510,090</u>	<u>4,195,650</u>	<u>314,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(209,596)</u>	<u>(158,029)</u>	<u>44,392</u>	<u>202,421</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	152,313	152,313	152,313	-
Transfers Out	(391,593)	(391,593)	(391,593)	-
Other	226	226	226	-
Total Other Financing Sources (Uses)	<u>(239,054)</u>	<u>(239,054)</u>	<u>(239,054)</u>	<u>-</u>
Net Change in Fund Balance	(448,650)	(397,083)	(194,662)	202,421
<b>FUND BALANCES, JULY 1</b>	<u>1,455,381</u>	<u>1,455,381</u>	<u>1,455,381</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 1,006,731</u>	<u>\$ 1,058,298</u>	<u>\$ 1,260,719</u>	<u>\$ 202,421</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2016, follows:

Actual Fund Balances, budgetary basis, June 30, 2016

General	\$ 530,064
Cash Reserve	730,655
Budgetary fund balances	<u>1,260,719</u>
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record State contributions due pension funds	(47,303)
Record claims payable	(104,060)
Record other net accrued receivables and liabilities	<u>19,055</u>
GAAP fund balance, June 30, 2016	<u>\$ 1,128,411</u>



State of Nebraska

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CASH FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ 176,265	\$ 176,265	\$ 176,265	\$ -
Federal Grants and Contracts	413,749	413,749	413,749	-
Sales and Charges	635,073	635,073	635,073	-
Other	193,651	193,651	193,651	-
Total Revenues	<u>1,418,738</u>	<u>1,418,738</u>	<u>1,418,738</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	292,795	295,401	279,402	15,999
Conservation of Natural Resources	165,959	180,754	78,692	102,062
Culture – Recreation	92,661	93,190	29,651	63,539
Economic Development and Assistance	79,393	98,937	33,108	65,829
Education	660,680	693,478	488,567	204,911
Health and Social Services	205,497	205,597	145,447	60,150
Public Safety	60,173	60,173	37,926	22,247
Regulation of Business and Professions	168,064	167,407	112,863	54,544
Transportation	974,694	989,694	943,506	46,188
Capital Projects	44,933	44,933	17,699	27,234
Total Expenditures	<u>2,744,849</u>	<u>2,829,564</u>	<u>2,166,861</u>	<u>662,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,326,111)</u>	<u>(1,410,826)</u>	<u>(748,123)</u>	<u>662,703</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,345,938	1,345,938	1,345,938	-
Transfers Out	(612,571)	(612,571)	(612,571)	-
Other	3,203	3,203	3,203	-
Total Other Financing Sources (Uses)	<u>736,570</u>	<u>736,570</u>	<u>736,570</u>	<u>-</u>
Net Change in Fund Balance	(589,541)	(674,256)	(11,553)	662,703
<b>FUND BALANCES, JULY 1</b>	<u>1,174,790</u>	<u>1,174,790</u>	<u>1,174,790</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 585,249</u>	<u>\$ 500,534</u>	<u>\$ 1,163,237</u>	<u>\$ 662,703</u>

A reconciliation of the budgetary basis versus GAAP fund balance for the

Major Funds as of June 30, 2016, follows :

Actual Fund Balances, budgetary basis, June 30, 2016

Cash	\$ 1,163,237
Construction	85,150
Federal	57,657
Revolving	400,840
Budgetary fund balances	1,706,884
Unbudgeted fund balances	2,124,844
Non-major fund balances	(1,599,167)
Differences due to basis of accounting	(707,413)
GAAP fund balance, June 30, 2016	<u>\$ 1,525,148</u>
Actual Fund Balances of Major Funds, June 30, 2016	
Highway	\$ 207,865
Federal	8,308
Health and Social Services	527,979
Permanent School	780,996
GAAP fund balance, June 30, 2016	<u>\$ 1,525,148</u>

See independent auditor's report

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### CONSTRUCTION FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	1,639	1,639	1,639	-
Total Revenues	1,639	1,639	1,639	-
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	73,397	73,397	38,767	34,630
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	67,899	70,945	11,962	58,983
Total Expenditures	141,296	144,342	50,729	93,613
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,657)	(142,703)	(49,090)	93,613
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	60,880	60,880	60,880	-
Transfers Out	-	-	-	-
Other	-	-	-	-
Total Other Financing Sources (Uses)	60,880	60,880	60,880	-
Net Change in Fund Balance	(78,777)	(81,823)	11,790	93,613
<b>FUND BALANCES, JULY 1</b>	73,360	73,360	73,360	-
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (5,417)</u>	<u>\$ (8,463)</u>	<u>\$ 85,150</u>	<u>\$ 93,613</u>

State of Nebraska

# **REQUIRED SUPPLEMENTARY INFORMATION** **BUDGETARY COMPARISON SCHEDULE** **FEDERAL FUNDS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	2,582,763	2,582,763	2,582,763	-
Sales and Charges	20,613	20,613	20,613	-
Other	10,719	10,719	10,719	-
Total Revenues	<u>2,614,095</u>	<u>2,614,095</u>	<u>2,614,095</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government	5,505	7,407	3,984	3,423
Conservation of Natural Resources	56,175	64,103	48,727	15,376
Culture – Recreation	3,709	5,116	2,734	2,382
Economic Development and Assistance	83,794	99,750	53,528	46,222
Education	1,016,364	1,019,972	876,778	143,194
Health and Social Services	2,269,802	2,270,165	1,553,906	716,259
Public Safety	74,415	131,950	80,556	51,394
Regulation of Business and Professions	3,325	3,325	2,064	1,261
Transportation	-	-	-	-
Capital Projects	74,005	74,005	-	74,005
Total Expenditures	<u>3,587,094</u>	<u>3,675,793</u>	<u>2,622,277</u>	<u>1,053,516</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(972,999)</u>	<u>(1,061,698)</u>	<u>(8,182)</u>	<u>1,053,516</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	41,768	41,768	41,768	-
Transfers Out	(41,181)	(41,181)	(41,181)	-
Other	(1,453)	(1,453)	(1,453)	-
Total Other Financing Sources (Uses)	<u>(866)</u>	<u>(866)</u>	<u>(866)</u>	<u>-</u>
Net Change in Fund Balance	(973,865)	(1,062,564)	(9,048)	1,053,516
<b>FUND BALANCES, JULY 1</b>	<u>66,705</u>	<u>66,705</u>	<u>66,705</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ (907,160)</u>	<u>\$ (995,859)</u>	<u>\$ 57,657</u>	<u>\$ 1,053,516</u>

# REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE

### REVOLVING FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	-
Federal Grants and Contracts	5,127	5,127	5,127	-
Sales and Charges	580,224	580,224	580,224	-
Other	238,034	238,034	238,034	-
Total Revenues	823,385	823,385	823,385	-
<b>EXPENDITURES</b>				
Current:				
General Government	245,671	246,961	207,793	39,168
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	662	662	652	10
Education	673,186	780,396	576,734	203,662
Health and Social Services	-	-	-	-
Public Safety	23,105	23,105	18,053	5,052
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	-	-	-	-
Total Expenditures	942,624	1,051,124	803,232	247,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,239)	(227,739)	20,153	247,892
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	111,933	111,933	111,933	-
Transfers Out	(103,836)	(103,836)	(103,836)	-
Other	2,735	2,735	2,735	-
Total Other Financing Sources (Uses)	10,832	10,832	10,832	-
Net Change in Fund Balance	(108,407)	(216,907)	30,985	247,892
<b>FUND BALANCES, JULY 1</b>	369,855	369,855	369,855	-
<b>FUND BALANCES, JUNE 30</b>	\$ 261,448	\$ 152,948	\$ 400,840	\$ 247,892

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR BUDGETARY COMPARISONS

For the Year Ended June 30, 2016

---

### Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

**General Fund.** To account for activities funded by general tax dollars, primarily sales and income taxes.

**Cash Reserve Fund.** This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

**Cash Funds.** To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

**Construction Funds.** To account for financial resources to be used for the acquisition or construction of major capital facilities.

**Federal Funds.** To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway and airport development monies accounted for in the Cash Funds.

**Revolving Funds.** To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

**Trust Funds.** To account for assets held in a trustee capacity.

**Distributive Funds.** To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2016, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2016, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

# REQUIRED SUPPLEMENTARY INFORMATION

## INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2016

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

### Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement’s surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

### Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

### Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of “Very Good”, “Good”, “Fair”, and “Poor”. This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

<u>Calendar Year</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Very Good	37%	38%	39%	36%	33%	31%
Good	45%	37%	35%	38%	41%	44%
Fair	16%	22%	23%	23%	23%	22%
Poor	2%	3%	3%	3%	3%	3%
Overall System Rating	84	81	81	81	80	80

### Estimated and Actual Costs to Maintain

The following table presents the State’s estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). The actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 84 actual).

<u>Fiscal Year</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Estimated	\$ 317	\$ 306	\$ 327	\$ 302	\$ 313	\$ 288
Actual		441	348	300	335	278
Difference		135	21	(2)	22	(10)

State of Nebraska

**REQUIRED SUPPLEMENTARY INFORMATION  
INFORMATION ABOUT PENSION PLANS**

For the Year Ended June 30, 2016

**SCHEDULE OF STATE'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

Last 10 Fiscal Years

(Dollar amounts in thousands)

	June 30, 2015*	June 30, 2014*
State's proportion of the School plan collective net pension liability	17.32%	17.44%
State's net pension liability for the Service Annuity plan	100.00%	100.00%
State's proportion of the Omaha School Employees Retirement System collective net pension liability	16.84%	16.84%
State's total proportionate share of the School plan collective net pension liability	\$ 188,604	169,592
Employer's proportionate share of the School plan collective net pension liability	\$ 900,492	802,660
Total collective net pension liability for the School plan	<u>\$ 1,089,096</u>	<u>972,252</u>
State's net pension liability for the Service Annuity plan	<u>\$ 3,392</u>	<u>2,879</u>
State's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 97,833	72,739
Employer's proportionate share of the Omaha School Employees Retirement System collective net pension liability	\$ 483,189	359,251
Total collective net pension liability for the Omaha School Employees Retirement System	<u>\$ 581,022</u>	<u>431,990</u>
State's proportionate share, as an employer, of the School plan collective net pension liability (a)	3,149	2,996
School plan employer's covered-employee payroll (b)	\$ 6,102	6,319
Employer's proportionate share of the School plan collective net pension liability as a percentage of the employer's covered-employee payroll (a) / (b)	51.61%	47.41%
School plan Fiduciary net position as a percentage of the total pension liability	89.88%	90.66%
Service Annuity plan Fiduciary net position as a percentage of the total pension liability	76.90%	80.33%
Omaha School Employees Retirement System Fiduciary net position as a percentage of the total pension liability	67.58%	74.98%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.

\*The Omaha School Employees' Retirement System has a measurement date of August 31.

## SCHEDULE OF STATE CONTRIBUTIONS

School Employees Retirement Plan

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2016	2015
School plan statutorily required contribution	\$ 36,920	35,494
Service Annuity plan statutorily required contribution	\$ 997	998
Omaha School Employees Retirement System statutorily required contribution	\$ 6,661	6,453
School plan contributions in relation to the statutorily required contribution	\$ 36,920	35,494
Service Annuity plan contributions in relation to the statutorily required contribution	\$ 997	998
Omaha School Employees Retirement System contributions in relation to the statutorily required contribution	\$ 6,661	6,453
School plan annual contribution deficiency (excess)	\$ -	-
Service Annuity plan annual contribution deficiency (excess)	\$ -	-
Omaha School Employees Retirement System annual contribution deficiency (excess)	\$ -	-
State's contributions, as an employer, in relation to the statutorily required contribution (a)	\$ 623	603
School plan employer's covered-employee payroll (b)	\$ 6,307	6,102
Contributions recognized by the School plan in relation to the statutorily required contribution as a percentage of the employer's covered-employee payroll (a) / (b)	9.88%	9.88%

This schedule is presented to illustrate the requirement to show information for 10 years. Additional years will be reported as they become available.



**STATE PATROL RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION  
LIABILITY**

(Dollars in Thousands)

	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service Cost	\$7,563	\$8,174
Interest	31,350	30,165
Differences between expected and actual experience	(10,659)	(3,788)
Benefit payments, including member refunds	<u>(19,459)</u>	<u>(20,010)</u>
<b>Net change in Total Pension Liability</b>	\$8,795	\$14,541
<b>Total Pension Liability - beginning</b>	\$401,416	\$386,875
<b>Total Pension Liability - ending (a)</b>	\$410,211	\$401,416
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$8,647	\$8,753
Employee contributions	4,180	4,134
Net investment income	13,333	54,950
Benefit payments, including member refunds	(19,459)	(20,010)
Administrative expenses	(117)	(121)
Other	<u>22</u>	<u>21</u>
<b>Net change in Plan Fiduciary Net Position</b>	\$6,606	\$47,727
<b>Plan Fiduciary Net Position - beginning</b>	\$357,317	\$309,590
<b>Plan Fiduciary Net Position - ending (b)</b>	\$363,923	\$357,317
<b>Net Pension Liability - ending (a) - (b)</b>	<u>\$46,288</u>	<u>\$44,099</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	88.72%	89.01%
<b>Covered payroll</b>	\$26,294	\$25,624
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	176.04%	172.10%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE PATROL RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in Thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$7,053	\$8,074	\$8,753	\$9,769	\$7,775	\$7,563	\$6,260	\$5,385	\$4,856	\$5,059
Actual employer contributions**	\$7,053	\$8,074	\$8,753	\$7,516	\$7,775	\$5,957	\$6,260	\$5,385	\$4,856	\$5,059
Annual contribution deficiency (excess)	-	-	-	\$2,253	-	\$1,606	-	-	-	-
Covered-employee payroll*	\$27,048	\$26,294	\$25,624	\$26,902	\$27,391	\$27,988	\$27,625	\$28,386	\$27,839	\$26,204
Actual contributions as a percentage of covered-employee payroll*	26.08%	30.71%	34.16%	27.94%	28.39%	21.28%	22.66%	18.97%	17.44%	19.31%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

\*\*Includes any additional appropriations by the State beyond the regular, payroll-related contributions. 2015 excludes \$573 in military service credits.

Note: Information prior to 2013 was produced by the prior actuary.

**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$4,759	\$4,257
Interest	12,171	11,568
Differences between expected and actual experience	(2,614)	42
Benefit payments, including member refunds	<u>(8,548)</u>	<u>(8,122)</u>
<b>Net change in Total Pension Liability</b>	\$5,768	\$7,745
 <b>Total Pension Liability - beginning</b>	 \$156,327	 \$148,582
<b>Total Pension Liability - ending (a)</b>	\$162,095	\$156,327
 <b>Plan Fiduciary Net Position</b>		
Employer contributions*	\$3,071	\$3,906
Employee contributions	1,611	1,519
Net investment income	5,959	24,543
Benefit payments, including member refunds	(8,548)	(8,122)
Administrative expenses	<u>(83)</u>	<u>(78)</u>
<b>Net change in Plan Fiduciary Net Position</b>	\$2,010	\$21,768
 <b>Plan Fiduciary Net Position - beginning</b>	 \$158,790	 \$137,022
<b>Plan Fiduciary Net Position - ending (b)</b>	\$160,800	\$158,790
 <b>Net Pension (Asset) Liability - ending (a) - (b)</b>	 <u><u>\$1,295</u></u>	 <u><u>(\$2,463)</u></u>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 99.20%	 101.58%
 <b>Covered payroll</b>	 \$21,587	 \$20,100
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	6.00%	(12.26%)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

\*Employer contributions for 2015 consist of \$2,977 in Court Fees and \$94 in State Appropriations.

**JUDGES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$3,459	\$3,727	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353	\$3,208
Actual employer contributions**	\$3,459	\$3,071	\$3,906	\$3,180	\$3,484	\$3,580	\$3,615	\$3,491	\$3,353	\$3,208
Annual contribution deficiency (excess)	-	\$656	-	-	-	-	-	-	-	-
Covered-employee payroll*	\$22,178	\$21,587	\$20,100	\$19,005	\$18,182	\$18,773	\$18,373	\$17,990	\$17,004	\$16,423
Actual contributions as a percentage of covered-employee payroll*	15.59%	14.23%	19.43%	16.73%	19.16%	19.07%	19.68%	19.41%	19.72%	19.53%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer. For years 2014 and prior, covered-employee payroll was estimated based on the valuation.

\*\*Employer contributions include court fees and State contributions.

Note: Information prior to 2013 was produced by the prior actuary.

**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY**

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>		
Service Cost	\$57,305	\$54,921
Interest	89,967	85,696
Benefit term changes	35,893	-
Differences between expected and actual experience	721	(11,217)
Transfers	5,849	4,195
Benefit payments, including member refunds	<u>(85,278)</u>	<u>(73,527)</u>
<b>Net change in Total Pension Liability</b>	<b>\$104,457</b>	<b>\$60,068</b>
 <b>Total Pension Liability - beginning</b>	 <b>\$1,199,841</b>	 <b>\$1,139,773</b>
<b>Total Pension Liability - ending (a)</b>	<b>\$1,304,298</b>	<b>\$1,199,841</b>
 <b>Plan Fiduciary Net Position</b>		
Employer contributions	\$43,340	\$41,456
Employee contributions	27,799	26,603
Net investment income	14,784	83,524
Benefit payments, including member refunds	(85,278)	(73,527)
Administrative expenses	(1,079)	(910)
Transfers	<u>5,849</u>	<u>4,195</u>
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$5,415</b>	<b>\$81,341</b>
 <b>Plan Fiduciary Net Position - beginning</b>	 <b>\$1,305,036</b>	 <b>\$1,223,695</b>
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$1,310,451</b>	<b>\$1,305,036</b>
 <b>Net Pension Liability/(Asset) - ending (a) - (b)</b>	 <b><u>(\$6,153)</u></b>	 <b><u>(\$105,195)</u></b>
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 <b>100.47%</b>	 <b>108.77%</b>
 <b>Covered payroll</b>	 <b>\$578,789</b>	 <b>\$553,631</b>
<b>Employers' Net Pension Liability as a percentage of covered payroll</b>	<b>(1.06%)</b>	<b>(19.00%)</b>

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**STATE EMPLOYEES' RETIREMENT PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(Dollars in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined employer contribution	\$29,117	\$31,986	\$35,129	\$32,983	\$27,256	\$26,361	\$24,632	\$19,975	\$19,145	\$12,565
Actual employer contributions**	\$44,314	\$42,392	\$40,345	\$35,794	\$31,496	\$30,987	\$30,895	\$29,213	\$25,599	\$20,318
Annual contribution deficiency (excess)	(\$15,197)	(\$10,406)	(\$5,216)	(\$2,811)	(\$4,240)	(\$4,626)	(\$6,263)	(\$9,238)	(\$6,454)	(\$7,753)
Covered-employee payroll*	\$591,799	\$566,127	\$538,790	\$478,020	\$420,619	\$413,827	\$412,596	\$390,129	\$341,870	\$286,880
Actual contributions as a percentage of covered-employee payroll*	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.08%

\*Covered-employee payroll is based upon the pensionable payroll reported to the Plan and excludes additional compensation amounts that may need to be reported by the employer.

\*\*Provided by Nebraska Public Employees Retirement System

## Notes to Required Supplementary Information for Pension Plans

For the Year Ended June 30, 2016

### School

**Changes of benefit and funding terms:** The following changes were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

- 2014: As scheduled, the State contribution rate increased from 1% of covered payroll to 2%.
- 2013: Legislative Bill 553, which was passed by the 2013 Legislature, increased the State's payroll related contribution from 1% to 2% of pay, effective July 1, 2014. LB 553 also made some changes to the benefit structure for members hired on or after July 1, 2013 (Tier 2), including changing the period over which to determine final average salary to the highest 60 months rather than the current highest 36 months of service and changing the maximum cost of living adjustment from 2.5% to 1%. LB 553 also removed the scheduled reduction in the employee contribution rate in 2017. In addition, it required the use of the Entry Age Normal, level percent of payroll, method to determine the costs for the Omaha State Service Annuity and changed the amortization of the unfunded actuarial accrued liability to be based on payments determined as a level percent of payroll instead of a level dollar amount.
- 2011: Under Legislative Bill 382 passed during the 2011 Legislative session, the member contribution rate increased from 8.28% to 8.88% on September 1, 2011. Effective September 1, 2012, the member contribution rate was scheduled to increase to 9.78% and then decrease to 7.28% effective September 1, 2017. The employer contribution rate match remained unchanged at 101% of the member contribution rate. The current State of Nebraska contribution rate of 1% remained in effect until July 1, 2017, at which time it was scheduled to decrease to 0.7%.

- 2009: Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate was scheduled to increase from 7.28% to 8.28% and the State match to increase from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate was scheduled to return to 7.28% and the State match to 0.7%.
- 2007: Per LB 596, passed in 2007, a one-time adjustment was made to the annuities of School members so that the current annuity was not less than 85% of the original annuity amount adjusted by the CPI-W. The statutory member contribution rate decreased to 7.28% as of September 1, 2007. Under existing statutes the rate was scheduled to drop to 7.25% on September 1, 2007.
- 2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.

### **Changes in actuarial assumptions:**

#### **7/1/2012 valuation:**

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Disabled mortality was changed to the 1983 Railroad Retirement Board Disabled Annuitants Mortality setback one year from the 1983 Railroad Retirement Board Disabled Annuitants Mortality. The prior assumption was based on the same table with no setback.
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

#### **7/1/2007 valuation:**

- Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.
- Retirement rates were increased at age 55 and decreased for ages 57 through age 65.
- Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.
- Existing disability rates were reduced by 50% at each age.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.

### **Method and assumptions used in calculations of actuarially determined contributions.**

The System is funded with contribution rates that are 9.78% of monthly salary for members, contribution rates that are 101% of the members' rates (9.88% of monthly salary) for the school districts and 2.00% of monthly salary for the State of Nebraska. The actuarially determined contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported in the most recent Measurement Date, June 30, 2015 (based on the July 1, 2014 actuarial valuation):

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed

Remaining amortization period	Range from 22 to 30 years (Single Equivalent Amortization Period is 23 years)
Asset valuation method	5-year smoothed market
Price Inflation	3.25 percent
Wage growth rate	4.00 percent
Salary increase, including inflation	4.00 to 9.00 percent
Long-term investment rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	Service annuity – none Formula annuity – For members hired before January 1, 2013, it is 2.5% per annum, compounded annually and 3.25% per annum, compounded annually, after reaching 75% purchasing power floor benefit. For members hired on or after January 1, 2013, it is 1.0% per annum, compounded annually, and there is no floor for the purchasing power of the benefit.

### Service Annuity

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

None

### Changes in actuarial assumptions:

9/1/2012 valuation:

- Salary increases were changed to rates grading down from 9.00% for less than one year of service to 4.00% at 40 years of service. Prior valuation rates graded from 7.46% for less than one year to 4.55% at 40 years of service.
- Retirement rates are based on age and retirement eligibility. 100% retirement age was extended to age 80 from age 70. Unreduced rates were decreased at age 63.
- Pre-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year age setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- Termination rates are service based and were decreased from the prior valuation based on actual experience.
- Disability rates were decreased by 50% from the prior valuation.
- Price inflation assumption was lowered to 3.25% from 3.50%.
- Economic productivity assumption was lowered to 0.75% from 1.00%.

9/1/2007 valuation:

- Salary increase assumption was converted from age-based to service-based, grading down from 7.50% for less than one year of service to 4.50% after 40 years of service.
- Retirement rates were increased at age 55 and decreased for ages 57 through age 65.
- Withdrawal rates were converted from age-and-service-based to service-based only and grade down from 27% (males) and 32% (females) for employees with less than one year of service to 1% (males) and 3% (females) and back up to 10% (males) and 7% (females) at 34 (or more) years of service.
- Existing disability rates were reduced by 50% at each age.
- Pre-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a two-year age setback to the 1994 GAM table, projected to 2010.



## Method and assumptions used in calculations of Actuarially Determined Contributions.

The Plan is funded with contribution amounts from the State which are actuarially determined to fund the Service Annuity benefit. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2015.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 21 to 30 years (Single Equivalent Amortization Period is 21 years)
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Salary increases, including wage inflation	4.00 to 9.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent

## Omaha School Employees

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1 listed below:

- 2013: The 2013 session of the Nebraska Legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.30% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.3930% of pay to 9.8778% of pay. The State contribution rate also increased permanently from 1.00% (plus \$973,301) to 2.00% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1.00% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.
- 2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July 2009 to July 2014.
- 2007: Legislation passed in 2007 increased the employee contribution rate from 6.30% to 7.30% of pay and provided for the employer contribution rate of 101% of the employee rate.

## Changes in actuarial assumptions:

9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members' retirement rates were adjusted.
- Vested Certificated members' assumption to elect a refund of contributions was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7.00% to 3.00%.

9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%.
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

- Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
- Retirement rates were adjusted to better fit the observed experience.
- The use of a disability assumption was eliminated.
- Termination rates were modified to better fit the observed experience.
- Small adjustments based on actual experience were made to the election of a refund assumption.

9/1/2007 valuation:

- The actuarial value of assets was reset to the actual market value.
- The funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007.

### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The System is funded by statutory contribution rates for members, the School District and the State of Nebraska. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions (from the September 1, 2014 actuarial valuation) were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2015 (based on the September 1, 2014 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market related smoothed market
Price inflation	3.00 percent
Salary increases, including wage inflation	4.00 to 5.60 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	1.50 percent if hired before July 1, 2013 1.00 percent if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month)

### **State Patrol**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

- 2016: Legislative Bill 467 (LB 467) created a new tier of State Patrol members that are employed on or after July 1, 2016. This new tier includes changes to benefits and contributions as follows:
- Member and employer contributions are increased from 16% of pay to 17% of pay.

- Compensation no longer includes compensation for unused sick leave, unused vacation leave, unused holiday compensatory time, unused compensatory time, or any other type of unused leave, compensatory time, or similar benefits, converted to cash payments.
  - Final average salary moves from the highest three 12-month periods to the highest five 12-month periods. During the five year period, the member's compensation for the preceding plan year is capped at an eight percent increase.
  - The automatic COLA is capped at 1.0% instead of 2.5%. However, a 1.5% discretionary COLA may be granted in addition to the automatic COLA if certain criteria are met.
  - The DROP program is eliminated.
- 2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. As scheduled in state statute, the employee and employer contribution rate each decreased from 19% of pay to 16%.
- 2011: Under LB 382 passed during the 2011 Legislative session, both the member and employer contribution rates were increased from 16% to 19% on July 1, 2011. Effective July 1, 2013, both the member and employer contribution rates were scheduled to decrease to 16%.
- 2010: As scheduled, the member and employer contribution rates increased to 16% each.
- 2009: Under Legislative Bill 188, the member contribution rate increased from 13% to 15% on July 1, 2009. The employer contribution rate remained unchanged at 15%. Effective July 1, 2010, both the member and employer contribution rates increased to 16%.
- 2008: The DROP was first reflected with an assumption that 100% of members who are eligible for the DROP will either retire or elect to participate in DROP.
- 2007: LB 324 made the current contribution rates of 13% for members and 15% for employers permanent (the rates were scheduled to drop to 12% for members and 13% for employers on July 1, 2007). LB 324 also added a Deferred Retirement Option Plan (DROP) for members who are at least 50 and have 25 years of service. The effective date of the DROP was the earlier of September 1, 2008 or the first of the month following receipt of a Favorable Determination Letter from the Internal Revenue Service so it was not reflected in the July 1, 2007 actuarial valuation.
- 2006: Per LB 1019, the unfunded actuarial accrued liability was reinitialized as of July 1, 2006 and amortized over a closed 30-year period.

#### **Changes in actuarial assumptions:**

##### **7/1/2012 valuation:**

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were changed to rates grading down from 9.50% for less than one year of service to 4.00% at 30 years of service. Prior valuation rates graded from 9.00% for less than one year to 4.50% at 25 years of service.
- Retirement rates are based on age and retirement eligibility. The rates were increased for early retirement (reduced benefits available at 50 years of age and 10 years of service) and decreased for normal retirement (unreduced benefits available at 55 years of age and 10 years of service).
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement males rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- The assumption to value deferred vested members was changed to assume they elect the greater of the present value of an annuity at earliest unreduced retirement eligibility or a refund of contributions.
- Consumer price inflation was lowered from 3.50% to 3.25%.
- Economic productivity was lowered from 1.00% to 0.75%.

##### **7/1/2007 valuation:**

- Salary increases were converted from age-based to service-based, grading down from 9.0% for less than one year of service to 4.5% at 25 years of service.

- Retirement rates were reduced for both reduced (50 years of age and 10 years of service) and unreduced (55 years of age and 10 years of service or 50 years of age and 25 years of service) early retirement.
- Withdrawal rates were changed from 3.0% at all ages to service-based rates grading down from 4.0% for less than one year of service to 1.5% at 6 years, reducing farther to 1.0% at 15 years and beyond.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table to the 1994 GAM table projected to 2010.
- Disabled Mortality was changed from the 1971 GAM table to the 1983 Railroad Retirement Board Disabled Annuitants Mortality table.

#### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The Plan is funded by statutory contribution rates for members and the employer (State of Nebraska). State Statutes require the State of Nebraska to make additional contributions if the regular, payroll-related contributions are insufficient to meet the actuarial required contribution for the year. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2015 (based on the July 1, 2015 actuarial valuation).

Actuarial cost method	Entry Age
Amortized method	Level percentage of payroll, closed
Remaining amortization period	Range from 21 to 30 years (Single Equivalent Amortization Period is 22 years)
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Wage growth rate	4.00 percent
Salary increases, including wage inflation	4.00 to 9.50 percent
Long-term rate of return, net of investment expense, and including price inflation	8.00 percent
Cost-of-living adjustment	2.50% with a floor benefit equal to 60% purchasing power of original benefit

#### **Judges**

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of July 1 listed below:

2015: LB 468, which was passed by the 2015 Nebraska Legislature, made changes to the benefit structure for judges who become members on or after July 1, 2015 including the calculation of final average salary based on the highest 5 years rather than the highest 3 years of salary and a cost-of-living-adjustment (COLA) of 1% rather than 2.5%. The bill also provided for a supplemental COLA, to be granted at the Board's discretion, up to an additional 1.5% if the System is more than 100% funded. In addition, the member contribution rate for those hired on or after July 1, 2015 was increased to 10% of pay. LB 468 also increased the amount of court fees directed to fund the Judges Retirement System with the increases phased-in over two years. Ultimately, in fiscal year 2018 the additional funding is estimated to be \$1.3 million. Due to the valuation date of July 1, 2015, the change to the benefit structure had no impact on the valuation results.

2013: Legislative Bill 553 (LB 553) changed the amortization of the unfunded actuarial accrued liability from a level dollar payment to a level percent of payroll payment. The court fee designated for the Judges Retirement System was scheduled to decrease from six to five dollars on July 1, 2014. Legislative Bill 306 (LB 306) removed the

*See independent auditor's report*

language to decrease the court fees so the court fee in future years remains at six dollars. The passage of Legislative Bill 414 (LB 414) in 2009 increased the member contribution rate by 1 percent, but this increase was scheduled to be removed July 1, 2014. Legislative Bill 306 (LB 306) removed the sunset provision on the increase in the member contribution rate, thereby retaining the higher contribution rates.

- 2009: LB 414 passed during the 2009 Legislative session amended the plan provisions to increase all member contribution rates by 1% and increase the court fees from \$5 to \$6 per case.
- 2008: LB 1147 amended the plan provisions to provide a subsidized early retirement benefit. The monthly benefit is reduced by 3% for retirement at age 64, by 6% at age 63, and by 9% at age 62. The monthly benefit is further reduced on an actuarially equivalent basis for retirement before at age 62 to as early as age 55.
- 2006: Per LB 1019, Nebraska Revised Statutes Section 24-703(9) was amended such that the unfunded actuarial accrued liability is reinitialized as of July 1, 2006 and amortized over a 30-year period.

#### **Changes in actuarial assumptions:**

##### **7/1/2012 valuation:**

- The interest rate on employee contributions was lowered to 4.25% from 5.50%.
- Salary increases were lowered to 4.00% from 4.50%.
- Retirement rates were decreased for ages under 65 and age 66.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (for pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with a 1 year setback, projected to 2015.
- Deferred vested members were changed to assume they elected the greater of the present value of an annuity at age 63 or a refund of contributions.
- Consumer price inflation was lowered to 3.25% from 3.50%.
- Economic productivity was lowered to 0.75% from 1.00%.

##### **7/1/2008 valuation:**

- Retirement rates were increased at age 62 through 64 to account for the possible increase in retirements due to the subsidized early retirement factors.

##### **7/1/2007 valuation:**

- Salary increases were lowered from an assumed 5.00% annual increase to a 4.50% annual increase at each age.
- Retirement rates were decreased at ages 55 through 61, increased at ages 62 through 64, and decreased at ages 65 through 71.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a 2-year setback to the 1994 GAM table, projected to 2010.

#### **Method and assumptions used in calculations of Actuarially Determined Contributions.**

The Plan is funded with contribution rates that vary by date of hire and service for members, variable court fees as well as contributions from the State of Nebraska that cover the remaining required amounts, if necessary. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, June 30, 2015 (based on the July 1, 2015 actuarial valuation).

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Range from 26 to 30 years (Single Equivalent Amortization Period is 23 years)
Asset valuation method	5-year smoothed market

Price inflation	3.25 percent
Wage growth rate	4.00 percent
Salary increases, including inflation	4.00 percent
Long-term rate of return, net of investment expense, and including inflation	8.00 percent
Cost-of-living adjustments	2.50% with a floor benefit equal to 75% purchasing power of original benefit

## State Employees

**Changes of benefit and funding terms:** The following changes to the plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of January 1 listed below:

- 2016: The Board granted a dividend of 4.53%.
- 2013: The 2012 Nebraska Legislature passed LB 916, as amended by AM1739, which created an election period beginning September 1, 2012 and ending October 31, 2012 during which members in the State Defined Contribution Plan could elect to transfer their account balances to the State Employees' Retirement System Cash Balance Benefit Fund.
- 2009: The Board granted a dividend of 5.18%.
- 2008: Under Legislative Bill 328, enacted by the 2007 Legislature, members of the State Defined Contribution Plan could elect to transfer their account balance and participate in the State Employees' Retirement System Cash Balance Benefit Fund. The election period was from November 1, 2007 to December 31, 2007.
- The Board granted a dividend of 2.73%.
- 2007: Legislative Bill 366, enacted in 2006, eliminated the 12-month waiting period for participation. Effective January 1, 2007, any State employee who had not completed 12 continuous months of employment immediately became a member of the System. Any State employee hired in 2007 or later becomes a member of the System at their date of hire.
- The bill also increased the member contribution rate from 4.33% of pay up to \$19,954 and 4.86% on pay over \$19,954, to 4.8% on all pay. This increase also resulted in an increase in the employer contribution rate.
- The Board granted a dividend of 13.50%.
- 2006: The Board granted a dividend of 2.80%.

## Changes in actuarial assumptions:

1/1/2013 valuation:

- The interest crediting rate on cash balance accounts was lowered from 7.00% to 6.75% per year.
- Salary increases were changed to rates grading down from 5.43% for less than one year of service to 4.00% at 20 years of service. Prior rates graded from 5.9% for less than one year of service to 4.5% at 20 years of service.
- Retirement rates increased at age 65 to 69 and 100% probability of retirement was extended to age 80 from age 70.
- Pre- and post-retirement healthy mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table projected to 2010 (pre-retirement male rates were 65% of rates and female rates were 50% of rates) to the 1994 GAM table, with 1-year setback, projected to 2015 (pre-retirement rates are adjusted by 55% for males and 40% for females).
- The select and ultimate termination rates were increased.
- Disability rates were removed.
- Price inflation was lowered from 3.50% to 3.25% per year.

*See independent auditor's report*

- Economic productivity was lowered from 1.00% to 0.75% per year.
- The assumption for the form of payment elected by retiring active members was changed from 100% elect an annuity to 50% elect a lump sum and 50% elect an annuity.

1/1/2008 valuation:

- Investment return and the interest rate for annuity factors to convert account balances into monthly benefits was changed from 7.60% to 7.75%.
- Salary scale was changed from an age-based assumption to a service-based assumption, grading down from 5.9% with less than one year of service to 4.5% with 20 years of service.
- Retirement rates were decreased at ages 60 through 63 and 65 through 69.
- The select period for termination of employment rates was extended to five years with a general decrease in select and ultimate rates prior to age 30 and increases after age 30.
- Pre- and post-retirement mortality assumptions were changed from the 1994 Group Annuity Mortality (GAM) table with a one-year setback to the 1994 GAM table, projected to 2010.

#### **Method and assumptions used in calculations of actuarially determined contributions.**

The Plan is funded with fixed contribution rates for members and the State of Nebraska. If such contributions are less than the Actuarially Determined Contribution, the State makes an additional contribution. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the January 1 preceding the first day of the fiscal year in which contributions are reported (January 1, 2015 actuarial valuation applies for contributions reported for July 1, 2015 to June 30, 2016).

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent fiscal year, June 30, 2016 (based on the January 1, 2015 actuarial valuation).

Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Price inflation	3.25 percent
Wage inflation	4.00 percent
Salary increases, including wage inflation	4.00 to 5.43 percent
Long-term rate of return, net of investment expense, and including price inflation	7.75 percent
Interest crediting rate, including dividends	6.75 percent

---

## COMBINING FINANCIAL STATEMENTS

---





---

# NONMAJOR GOVERNMENTAL FUNDS

---

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Licensing and Regulation.** This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

**Economic Development.** This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

**Airport Development.** This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

**Game and Parks.** This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

**Environmental Quality.** This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

**Energy Conservation.** This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, and administering and distributing federal funds provided to the State in the area of energy efficiency.

**Other Special Revenue.** This fund accounts for various other revenues that must be used for specific purposes.

## CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

## PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Aeronautics Trust Fund.** This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

**Nebraska Veterans' Aid Fund.** This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

**Permanent Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

**Agriculture Endowment Fund.** This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

**Other Permanent Funds.** Normal School Endowment and Miscellaneous Permanent Trust.

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>Assets</b>				
Cash and Cash Equivalents	\$ 48,803	\$ 6,930	\$ 1,206	\$ 56,939
Cash on Deposit with Fiscal Agents	8,563	-	-	8,563
Investments	642,380	111,920	61,480	815,780
Securities Lending Collateral	15,737	2,740	1,546	20,023
Receivables, net of allowance				
Taxes	799	-	-	799
Due from Federal Government	1,652	-	-	1,652
Loans	328,802	-	-	328,802
Other	12,876	575	5,306	18,757
Due from Other Funds	1,986	-	-	1,986
Inventories	237	-	-	237
Prepaid Items	195	-	-	195
Other	3,341	-	-	3,341
Total Assets	<u>\$ 1,065,371</u>	<u>\$ 122,165</u>	<u>\$ 69,538</u>	<u>\$ 1,257,074</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 31,594	\$ 5,981	\$ 8,159	\$ 45,734
Deposits	3,729	-	-	3,729
Due to Other Funds	14,339	8	-	14,347
Obligations under Securities Lending	15,737	2,740	1,546	20,023
Total Liabilities	<u>65,399</u>	<u>8,729</u>	<u>9,705</u>	<u>83,833</u>
Fund Balances:				
Nonspendable:				
Inventories and Prepaid Items	432	-	-	432
Endowment Principal	-	-	19,515	19,515
Restricted for:				
Education	25,929	-	3,360	29,289
Health and Social Services	731	-	36,213	36,944
Conservation of Natural Resources	629,420	-	-	629,420
Transportation	9,788	-	724	10,512
Licensing and Regulation	109,736	-	-	109,736
Economic Development	62,556	-	-	62,556
Public Safety	28,710	-	-	28,710
Culture – Recreation	48,153	-	-	48,153
Other Purposes	38,835	402	21	39,258
Committed to:				
Other Purposes	-	113,034	-	113,034
Assigned to:				
Education	635	-	-	635
Health and Social Services	1,541	-	-	1,541
Licensing and Regulation	40,211	-	-	40,211
Economic Development	75	-	-	75
Public Safety	695	-	-	695
Culture – Recreation	91	-	-	91
Other Purposes	2,434	-	-	2,434
Total Fund Balances	<u>999,972</u>	<u>113,436</u>	<u>59,833</u>	<u>1,173,241</u>
Total Liabilities and Fund Balances	<u>\$ 1,065,371</u>	<u>\$ 122,165</u>	<u>\$ 69,538</u>	<u>\$ 1,257,074</u>

## State of Nebraska

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
<b>REVENUES</b>				
Sales and Use Taxes	\$ 18,381	\$ -	\$ -	\$ 18,381
Petroleum Taxes	13,399	-	-	13,399
Excise Taxes	44,909	9,163	-	54,072
Business and Franchise Taxes	26,779	-	-	26,779
Other Taxes	4,235	-	-	4,235
Federal Grants and Contracts	44,565	-	-	44,565
Licenses, Fees and Permits	154,281	-	-	154,281
Charges for Services	59,381	-	-	59,381
Investment Income	29,056	4,831	2,032	35,919
Rental Income	16,690	8,425	-	25,115
Surcharge	43,099	-	-	43,099
Other	23,422	(4)	-	23,418
Total Revenues	<u>478,197</u>	<u>22,415</u>	<u>2,032</u>	<u>502,644</u>
<b>EXPENDITURES</b>				
Current:				
General Government	76,290	-	1	76,291
Conservation of Natural Resources	80,001	-	-	80,001
Culture – Recreation	30,948	-	-	30,948
Economic Development and Assistance	34,136	-	-	34,136
Education	18,982	-	89	19,071
Higher Education - Colleges and University	-	41,440	-	41,440
Health and Social Services	17,700	-	1,753	19,453
Public Safety	45,708	-	-	45,708
Regulation of Business and Professions	112,027	-	-	112,027
Transportation	31,377	-	2	31,379
Capital Projects	-	28,174	-	28,174
Debt Service:				
Principal	1,425	-	-	1,425
Interest	7	-	-	7
Total Expenditures	<u>448,601</u>	<u>69,614</u>	<u>1,845</u>	<u>520,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,596</u>	<u>(47,199)</u>	<u>187</u>	<u>(17,416)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	119,935	60,880	-	180,815
Transfers Out	(69,764)	-	(172)	(69,936)
Proceeds from Other Financing Arrangements	1,428	-	-	1,428
Total Other Financing Sources (Uses)	<u>51,599</u>	<u>60,880</u>	<u>(172)</u>	<u>112,307</u>
Net Change in Fund Balances	81,195	13,681	15	94,891
<b>FUND BALANCES, JULY 1</b>	<u>918,777</u>	<u>99,755</u>	<u>59,818</u>	<u>1,078,350</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 999,972</u>	<u>\$ 113,436</u>	<u>\$ 59,833</u>	<u>\$ 1,173,241</u>

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2016

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>Assets</b>			
Cash and Cash Equivalents	\$ 9,803	\$ 3,389	\$ 8,244
Cash on Deposit with Fiscal Agents	-	-	-
Investments	142,079	55,268	-
Securities Lending Collateral	3,478	1,353	-
Receivables, net of allowance:			
Taxes	656	-	135
Due from Federal Government	-	-	438
Loans	-	144	1,716
Other	4,382	1,807	98
Due from Other Funds	7	7	17
Inventories	-	-	-
Prepaid Items	3	-	3
Other	-	3,336	-
Total Assets	<u>\$ 160,408</u>	<u>\$ 65,304</u>	<u>\$ 10,651</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 8,068	\$ 1,376	\$ 844
Deposits	384	3,336	-
Due to Other Funds	272	33	16
Obligations under Securities Lending	3,478	1,353	-
Total Liabilities	<u>12,202</u>	<u>6,098</u>	<u>860</u>
Fund Balances:			
Nonspendable:			
Inventories and Prepaid Items	3	-	3
Restricted for:			
Education	-	-	-
Health and Social Services	-	-	-
Conservation of Natural Resources	-	-	-
Transportation	-	-	9,788
Licensing and Regulation	107,992	-	-
Economic Development	-	59,131	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Assigned to:			
Education	-	-	-
Health and Social Services	-	-	-
Licensing and Regulation	40,211	-	-
Economic Development	-	75	-
Public Safety	-	-	-
Culture – Recreation	-	-	-
Other Purposes	-	-	-
Total Fund Balances	<u>148,206</u>	<u>59,206</u>	<u>9,791</u>
Total Liabilities and Fund Balances	<u>\$ 160,408</u>	<u>\$ 65,304</u>	<u>\$ 10,651</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 6,926	\$ 9,778	\$ 715	\$ 9,948	\$ 48,803
-	-	-	8,563	8,563
107,726	161,247	11,770	164,290	642,380
2,639	3,947	288	4,032	15,737
-	8	-	-	799
1,081	-	-	133	1,652
-	301,795	25,092	55	328,802
1,992	1,097	82	3,418	12,876
143	-	-	1,812	1,986
-	-	-	237	237
56	-	-	133	195
-	-	-	5	3,341
<u>\$ 120,563</u>	<u>\$ 477,872</u>	<u>\$ 37,947</u>	<u>\$ 192,626</u>	<u>\$ 1,065,371</u>
\$ 9,912	\$ 484	\$ 1,072	\$ 9,838	\$ 31,594
-	-	-	9	3,729
458	44	3	13,513	14,339
2,639	3,947	288	4,032	15,737
<u>13,009</u>	<u>4,475</u>	<u>1,363</u>	<u>27,392</u>	<u>65,399</u>
56	-	-	370	432
-	-	-	25,929	25,929
-	-	-	731	731
69,261	473,397	36,584	50,178	629,420
-	-	-	-	9,788
-	-	-	1,744	109,736
-	-	-	3,425	62,556
-	-	-	28,710	28,710
38,237	-	-	9,916	48,153
-	-	-	38,835	38,835
-	-	-	635	635
-	-	-	1,541	1,541
-	-	-	-	40,211
-	-	-	-	75
-	-	-	695	695
-	-	-	91	91
-	-	-	2,434	2,434
<u>107,554</u>	<u>473,397</u>	<u>36,584</u>	<u>165,234</u>	<u>999,972</u>
<u>\$ 120,563</u>	<u>\$ 477,872</u>	<u>\$ 37,947</u>	<u>\$ 192,626</u>	<u>\$ 1,065,371</u>

## State of Nebraska

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT
<b>REVENUES</b>			
Sales and Use Taxes	\$ -	\$ 5,315	\$ -
Petroleum Taxes	11,143	557	1,378
Excise Taxes	12,600	23,071	-
Business and Franchise Taxes	4,535	117	-
Other Taxes	-	-	-
Federal Grants and Contracts	328	140	28,569
Licenses, Fees and Permits	74,441	257	16
Charges for Services	1,540	162	475
Investment Income	6,892	2,441	185
Rental Income	-	-	618
Surcharge	43,099	-	-
Other	9,346	517	19
Total Revenues	<u>163,924</u>	<u>32,577</u>	<u>31,260</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Conservation of Natural Resources	-	-	-
Culture – Recreation	-	-	-
Economic Development and Assistance	-	33,336	-
Education	-	-	-
Health and Social Services	-	-	-
Public Safety	-	-	-
Regulation of Business and Professions	111,197	-	-
Transportation	-	-	31,377
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>111,197</u>	<u>33,336</u>	<u>31,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>52,727</u>	<u>(759)</u>	<u>(117)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	6,888	7,093	172
Transfers Out	(53,585)	(694)	-
Proceeds from Other Financing Arrangements	-	-	-
Total Other Financing Sources (Uses)	<u>(46,697)</u>	<u>6,399</u>	<u>172</u>
Net Change in Fund Balances	6,030	5,640	55
<b>FUND BALANCES, JULY 1</b>	<u>142,176</u>	<u>53,566</u>	<u>9,736</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 148,206</u>	<u>\$ 59,206</u>	<u>\$ 9,791</u>

GAME AND PARKS	ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	OTHER SPECIAL REVENUE	TOTALS
\$ 3,755	\$ -	\$ -	\$ 9,311	\$ 18,381
-	-	300	21	13,399
1,309	2,743	-	5,186	44,909
-	2,071	-	20,056	26,779
-	-	-	4,235	4,235
10,481	-	-	5,047	44,565
28,207	7,395	9	43,956	154,281
2,734	-	25	54,445	59,381
4,756	7,263	543	6,976	29,056
14,265	-	-	1,807	16,690
-	-	-	-	43,099
1,769	7,050	484	4,237	23,422
<u>67,276</u>	<u>26,522</u>	<u>1,361</u>	<u>155,277</u>	<u>478,197</u>
-	-	-	76,290	76,290
54,926	12,803	666	11,606	80,001
28,835	-	-	2,113	30,948
-	-	-	800	34,136
-	-	-	18,982	18,982
-	-	-	17,700	17,700
-	-	-	45,708	45,708
-	-	-	830	112,027
-	-	-	-	31,377
-	1,425	-	-	1,425
-	7	-	-	7
<u>83,761</u>	<u>14,235</u>	<u>666</u>	<u>174,029</u>	<u>448,601</u>
<u>(16,485)</u>	<u>12,287</u>	<u>695</u>	<u>(18,752)</u>	<u>29,596</u>
20,077	13,436	500	71,769	119,935
-	(1,140)	(200)	(14,145)	(69,764)
-	1,428	-	-	1,428
<u>20,077</u>	<u>13,724</u>	<u>300</u>	<u>57,624</u>	<u>51,599</u>
3,592	26,011	995	38,872	81,195
<u>103,962</u>	<u>447,386</u>	<u>35,589</u>	<u>126,362</u>	<u>918,777</u>
<u>\$ 107,554</u>	<u>\$ 473,397</u>	<u>\$ 36,584</u>	<u>\$ 165,234</u>	<u>\$ 999,972</u>

## State of Nebraska

# COMBINING BALANCE SHEET

## NONMAJOR PERMANENT FUNDS

June 30, 2016

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS' AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
<b>Assets</b>						
Cash and Cash Equivalents	\$ -	\$ 686	\$ 392	\$ 115	\$ 13	\$ 1,206
Investments	6,881	50,162	1,283	2,825	329	61,480
Securities Lending Collateral	155	1,278	33	72	8	1,546
Other Receivables, net of allowance	38	4,837	127	272	32	5,306
Total Assets	<u>\$ 7,074</u>	<u>\$ 56,963</u>	<u>\$ 1,835</u>	<u>\$ 3,284</u>	<u>\$ 382</u>	<u>\$ 69,538</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ -	\$ 7,472	\$ 199	\$ 437	\$ 51	\$ 8,159
Obligations under Securities Lending	155	1,278	33	72	8	1,546
Total Liabilities	<u>155</u>	<u>8,750</u>	<u>232</u>	<u>509</u>	<u>59</u>	<u>9,705</u>
Fund Balances:						
Nonspendable:						
Endowment Principal	6,195	12,000	503	722	95	19,515
Restricted for:						
Education	-	-	1,100	2,053	207	3,360
Health and Social Services	-	36,213	-	-	-	36,213
Transportation	724	-	-	-	-	724
Other Purposes	-	-	-	-	21	21
Total Fund Balances	<u>6,919</u>	<u>48,213</u>	<u>1,603</u>	<u>2,775</u>	<u>323</u>	<u>59,833</u>
Total Liabilities and Fund Balances	<u>\$ 7,074</u>	<u>\$ 56,963</u>	<u>\$ 1,835</u>	<u>\$ 3,284</u>	<u>\$ 382</u>	<u>\$ 69,538</u>



State of Nebraska

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	<b>AERONAUTICS TRUST</b>	<b>NEBRASKA VETERANS' AID</b>	<b>PERMANENT ENDOWMENT</b>	<b>AGRICULTURE ENDOWMENT</b>	<b>OTHER</b>	<b>TOTALS</b>
<b>REVENUES</b>						
Investment Income	\$ 413	\$ 1,478	\$ 46	\$ 85	\$ 10	\$ 2,032
Total Revenues	<u>413</u>	<u>1,478</u>	<u>46</u>	<u>85</u>	<u>10</u>	<u>2,032</u>
<b>EXPENDITURES</b>						
General Government	-	-	-	-	1	1
Education	-	-	26	57	6	89
Health and Social Services	-	1,753	-	-	-	1,753
Transportation	2	-	-	-	-	2
Total Expenditures	<u>2</u>	<u>1,753</u>	<u>26</u>	<u>57</u>	<u>7</u>	<u>1,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	411	(275)	20	28	3	187
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	<u>(172)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172)</u>
Net Change in Fund Balances	239	(275)	20	28	3	15
<b>FUND BALANCES, JULY 1</b>	<u>6,680</u>	<u>48,488</u>	<u>1,583</u>	<u>2,747</u>	<u>320</u>	<u>59,818</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 6,919</u>	<u>\$ 48,213</u>	<u>\$ 1,603</u>	<u>\$ 2,775</u>	<u>\$ 323</u>	<u>\$ 59,833</u>



---

## NONMAJOR ENTERPRISE FUNDS

---

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

**Lottery Fund.** This fund accounts for all receipts and expenses from the operations of the State Lottery.

**Excess Liability Fund.** This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of \$1,750,000 per occurrence on or before December 31, 2014 and \$2,250,000 for any occurrence after December 31, 2014.

**Cornhusker State Industries.** The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

# **COMBINING STATEMENT OF NET POSITION** **NONMAJOR ENTERPRISE FUNDS**

June 30, 2016

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 8,263	\$ 23,262	\$ 6,553	\$ 38,078
Receivables, net of allowance	5,406	14,021	1,334	20,761
Due from Other Funds	-	-	1,013	1,013
Inventories	-	-	5,219	5,219
Prepaid Items	10	-	-	10
Other	417	-	-	417
Total Current Assets	<u>14,096</u>	<u>37,283</u>	<u>14,119</u>	<u>65,498</u>
Noncurrent Assets:				
Restricted Long-Term Deposits	2,350	-	-	2,350
Long-Term Investments	-	75,926	-	75,926
Securities Lending Collateral	-	1,836	-	1,836
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	269	-	13,900	14,169
Less Accumulated Depreciation	(182)	-	(7,432)	(7,614)
Total Capital Assets	<u>87</u>	<u>-</u>	<u>6,783</u>	<u>6,870</u>
Total Noncurrent Assets	<u>2,437</u>	<u>77,762</u>	<u>6,783</u>	<u>86,982</u>
Total Assets	<u>\$ 16,533</u>	<u>\$ 115,045</u>	<u>\$ 20,902</u>	<u>\$ 152,480</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 9,349	\$ 21,788	\$ 991	\$ 32,128
Due to Other Funds	29	-	75	104
Claims, Judgments and Compensated Absences	24	8,176	57	8,257
Unearned Revenue	-	3,110	-	3,110
Total Current Liabilities	<u>9,402</u>	<u>33,074</u>	<u>1,123</u>	<u>43,599</u>
Noncurrent Liabilities:				
Claims, Judgments and Compensated Absences	246	9,239	579	10,064
Obligations under Securities Lending	-	1,836	-	1,836
Total Noncurrent Liabilities	<u>246</u>	<u>11,075</u>	<u>579</u>	<u>11,900</u>
Total Liabilities	<u>\$ 9,648</u>	<u>\$ 44,149</u>	<u>\$ 1,702</u>	<u>\$ 55,499</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	87	-	6,783	6,870
Restricted for:				
Lottery Prizes	2,350	-	-	2,350
Unrestricted	4,448	70,896	12,417	87,761
Total Net Position	<u>\$ 6,885</u>	<u>\$ 70,896</u>	<u>\$ 19,200</u>	<u>\$ 96,981</u>

State of Nebraska

# **COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 179,473	\$ 3,928	\$ 13,505	\$ 196,906
Total Operating Revenues	<u>179,473</u>	<u>3,928</u>	<u>13,505</u>	<u>196,906</u>
<b>OPERATING EXPENSES</b>				
Personal Services	1,434	-	5,233	6,667
Services and Supplies	29,703	593	8,132	38,428
Lottery Prizes	104,645	-	-	104,645
Insurance Claims	-	8,417	-	8,417
Depreciation	37	-	465	502
Total Operating Expenses	<u>135,819</u>	<u>9,010</u>	<u>13,830</u>	<u>158,659</u>
Operating Income (Loss)	<u>43,654</u>	<u>(5,082)</u>	<u>(325)</u>	<u>38,247</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	317	4,019	179	4,515
Gain (Loss) on Sale of Capital Assets	14	-	6	20
Total Nonoperating Revenues (Expenses)	<u>331</u>	<u>4,019</u>	<u>185</u>	<u>4,535</u>
Income (Loss) Before Transfers	43,985	(1,063)	(140)	42,782
Transfers Out	<u>(42,783)</u>	<u>-</u>	<u>-</u>	<u>(42,783)</u>
Change in Net Position	1,202	(1,063)	(140)	(1)
<b>NET POSITION, JULY 1</b>	<u>5,683</u>	<u>71,959</u>	<u>19,340</u>	<u>96,982</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 6,885</u>	<u>\$ 70,896</u>	<u>\$ 19,200</u>	<u>\$ 96,981</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 180,205	\$ 4,577	\$ 2,398	\$ 187,180
Cash Received from Interfund Charges	-	-	10,397	10,397
Cash Paid to Employees	(1,409)	-	(5,217)	(6,626)
Cash Paid to Suppliers	(28,688)	21,206	(9,734)	(17,216)
Cash Paid for Lottery Prizes	(104,906)	-	-	(104,906)
Cash Paid for Insurance Claims	-	(9,750)	-	(9,750)
Cash Paid for Interfund Services	(325)	(50)	(624)	(999)
Net Cash Flows from Operating Activities	44,877	15,983	(2,780)	58,080
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers Out	(42,783)	-	-	(42,783)
Net Cash Flows from Noncapital Financing Activities	(42,783)	-	-	(42,783)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING:</b>				
Acquisition and Construction of Capital Assets	(74)	-	(274)	(348)
Proceeds from Sale of Capital Assets	14	-	12	26
Net Cash Flows from Capital and Related Financing Activities	(60)	-	(262)	(322)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of Investment Securities	-	(219,886)	-	(219,886)
Proceeds from Sale of Investment Securities	-	198,167	-	198,167
Interest and Dividend Income	318	2,371	186	2,875
Net Cash Flows from Investing Activities	318	(19,348)	186	(18,844)
Net Increase (Decrease) in Cash and Cash Equivalents	2,352	(3,365)	(2,856)	(3,869)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	5,911	26,627	9,409	41,947
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 8,263</u>	<u>\$ 23,262</u>	<u>\$ 6,553</u>	<u>\$ 38,078</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 43,654	\$ (5,082)	\$ (325)	\$ 38,247
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	37	-	465	502
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	732	-	(768)	(36)
(Increase) Decrease in Due from Other Funds	-	-	58	58
(Increase) Decrease in Inventories	-	-	(2,450)	(2,450)
(Increase) Decrease in Prepaid Items	(10)	-	-	(10)
(Increase) Decrease in Long-Term Deposits	70	-	-	70
Increase (Decrease) in Accounts Payable and Accrued Liabilities	397	21,749	222	22,368
Increase (Decrease) in Due to Other Funds	(3)	-	18	15
Increase (Decrease) in Claims Payable	-	(1,333)	-	(1,333)
Increase (Decrease) in Unearned Revenue	-	649	-	649
Total adjustments	1,223	21,065	(2,455)	19,833
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 44,877</u>	<u>\$ 15,983</u>	<u>\$ (2,780)</u>	<u>\$ 58,080</u>
<b>NONCASH TRANSACTIONS:</b>				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	\$ -	\$ 1,649	\$ -	\$ 1,649

---

# INTERNAL SERVICE FUNDS

---

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

**Buildings and Grounds.** The activities of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

**General Services.** This fund accounts for the operations of central services provided by the Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

**Office of the CIO.** This fund accounts for the activities of the central communications network and central data processing operations maintained by Administrative Services, Office of the Chief Information Officer.

**Transportation Services Bureau.** This fund accounts for the operations of the central motor pool, which is under Administrative Services, Transportation Services Bureau.

**Risk Management.** The activities of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

**Accounting Services.** The accounting operations maintained by Administrative Services, State Accounting Division, are accounted for in this fund.

**Other Internal Service Funds.** This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by Administrative Services, Division of State Personnel.

State of Nebraska

# **COMBINING STATEMENT OF NET POSITION** **INTERNAL SERVICE FUNDS**

June 30, 2016

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 14,836	\$ 5,349	\$ 18,271
Receivables, net of allowance			
Accounts	26	26	727
Accrued Interest	110	40	171
Due from Other Funds	87	1,980	19,830
Inventories	-	404	63
Prepaid Items	1,186	321	-
Total Current Assets	<u>16,245</u>	<u>8,120</u>	<u>39,062</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Equipment	837	8,041	78,731
Less Accumulated Depreciation	(576)	(5,706)	(58,587)
Total Capital Assets	<u>261</u>	<u>2,335</u>	<u>20,144</u>
Total Assets	<u>\$ 16,506</u>	<u>\$ 10,455</u>	<u>\$ 59,206</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,242	\$ 1,961	\$ 5,262
Due to Other Funds	687	9	97
Capital Lease Obligations	-	-	8,715
Claims, Judgments and Compensated Absences	45	51	268
Unearned Revenue	-	-	668
Total Current Liabilities	<u>2,974</u>	<u>2,021</u>	<u>15,010</u>
Noncurrent Liabilities:			
Capital Lease Obligations	-	-	23,945
Claims, Judgments and Compensated Absences	456	517	2,709
Total Noncurrent Liabilities	<u>456</u>	<u>517</u>	<u>26,654</u>
Total Liabilities	<u>\$ 3,430</u>	<u>\$ 2,538</u>	<u>\$ 41,664</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	261	2,335	(12,516)
Unrestricted	12,815	5,582	30,058
Total Net Position	<u>\$ 13,076</u>	<u>\$ 7,917</u>	<u>\$ 17,542</u>



TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 5,930	\$ 61,357	\$ 2,279	\$ 4,195	\$ 112,217
21	7	1	113	921
36	411	48	31	847
753	16,162	339	652	39,803
-	-	-	-	467
-	-	-	-	1,507
<u>6,740</u>	<u>77,937</u>	<u>2,667</u>	<u>4,991</u>	<u>155,762</u>
19,384	-	2,296	638	109,927
<u>(9,077)</u>	<u>-</u>	<u>(1,648)</u>	<u>(529)</u>	<u>(76,123)</u>
<u>10,307</u>	<u>-</u>	<u>648</u>	<u>109</u>	<u>33,804</u>
<u>\$ 17,047</u>	<u>\$ 77,937</u>	<u>\$ 3,315</u>	<u>\$ 5,100</u>	<u>\$ 189,566</u>
\$ 1,363	\$ 2,553	\$ 274	\$ 681	\$ 14,336
30	29	70	8	930
700	-	320	-	9,735
8	43,375	26	21	43,794
-	-	-	-	668
<u>2,101</u>	<u>45,957</u>	<u>690</u>	<u>710</u>	<u>69,463</u>
-	-	640	-	24,585
<u>84</u>	<u>31,978</u>	<u>259</u>	<u>212</u>	<u>36,215</u>
<u>84</u>	<u>31,978</u>	<u>899</u>	<u>212</u>	<u>60,800</u>
<u>\$ 2,185</u>	<u>\$ 77,935</u>	<u>\$ 1,589</u>	<u>\$ 922</u>	<u>\$ 130,263</u>
9,607	-	(312)	109	(516)
<u>5,255</u>	<u>2</u>	<u>2,038</u>	<u>4,069</u>	<u>59,819</u>
<u>\$ 14,862</u>	<u>\$ 2</u>	<u>\$ 1,726</u>	<u>\$ 4,178</u>	<u>\$ 59,303</u>

State of Nebraska

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	<b>BUILDINGS AND GROUNDS</b>	<b>GENERAL SERVICES</b>	<b>OFFICE OF THE CIO</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 35,682	\$ 17,871	\$ 95,797
Other	906	-	-
Total Operating Revenues	<u>36,588</u>	<u>17,871</u>	<u>95,797</u>
<b>OPERATING EXPENSES</b>			
Personal Services	4,848	3,827	18,399
Services and Supplies	30,018	13,735	81,356
Insurance Claims	-	-	-
Depreciation	37	920	7,436
Total Operating Expenses	<u>34,903</u>	<u>18,482</u>	<u>107,191</u>
Operating Income (Loss)	<u>1,685</u>	<u>(611)</u>	<u>(11,394)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	339	121	520
Gain (Loss) on Sale of Capital Assets	22	24	8
Other	-	-	(158)
Total Nonoperating Revenues (Expenses)	<u>361</u>	<u>145</u>	<u>370</u>
Change in Net Position	2,046	(466)	(11,024)
<b>NET POSITION, JULY 1</b>	<u>11,030</u>	<u>8,383</u>	<u>28,566</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 13,076</u>	<u>\$ 7,917</u>	<u>\$ 17,542</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 7,215	\$ 213,046	\$ 4,378	\$ 13,154	\$ 387,143
13	-	140	498	1,557
<u>7,228</u>	<u>213,046</u>	<u>4,518</u>	<u>13,652</u>	<u>388,700</u>
625	196	2,228	8,008	38,131
3,794	1,419	1,977	5,822	138,121
-	212,957	-	-	212,957
<u>2,663</u>	<u>-</u>	<u>219</u>	<u>36</u>	<u>11,311</u>
<u>7,082</u>	<u>214,572</u>	<u>4,424</u>	<u>13,866</u>	<u>400,520</u>
146	(1,526)	94	(214)	(11,820)
105	1,515	145	92	2,837
318	-	-	(6)	366
(15)	-	(4)	-	(177)
<u>408</u>	<u>1,515</u>	<u>141</u>	<u>86</u>	<u>3,026</u>
554	(11)	235	(128)	(8,794)
<u>14,308</u>	<u>13</u>	<u>1,491</u>	<u>4,306</u>	<u>68,097</u>
<u>\$ 14,862</u>	<u>\$ 2</u>	<u>\$ 1,726</u>	<u>\$ 4,178</u>	<u>\$ 59,303</u>

## State of Nebraska

# COMBINING STATEMENT OF CASH FLOWS

## INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 234	\$ 592	\$ 4,237
Cash Received from Interfund Charges	36,380	17,401	84,399
Cash Paid to Employees	(4,815)	(3,765)	(18,170)
Cash Paid to Suppliers	(27,498)	(13,585)	(78,644)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,943)	(316)	(4,239)
Net Cash Flows from Operating Activities	<u>2,358</u>	<u>327</u>	<u>(12,417)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(137)	(640)	7,373
Proceeds from Sale of Capital Assets	21	30	26
Principal Paid on Capital Leases	-	-	(5,400)
Interest Paid on Capital Leases	-	-	(158)
Net Cash Flows from Capital and Related Financing Activities	<u>(116)</u>	<u>(610)</u>	<u>1,841</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment Income	<u>316</u>	<u>115</u>	<u>513</u>
Net Cash Flows from Investing Activities	<u>316</u>	<u>115</u>	<u>513</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,558	(168)	(10,063)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>12,278</u>	<u>5,517</u>	<u>28,334</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 14,836</u>	<u>\$ 5,349</u>	<u>\$ 18,271</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ 1,685	\$ (611)	\$ (11,394)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	37	920	7,436
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(9)	13	(85)
(Increase) Decrease in Due from Other Funds	35	109	(7,445)
(Increase) Decrease in Inventories	-	(70)	11
(Increase) Decrease in Prepaid Items	(33)	25	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	425	10	(1,203)
Increase (Decrease) in Due to Other Funds	218	(69)	(106)
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	369
Total Adjustments	<u>673</u>	<u>938</u>	<u>(1,023)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 2,358</u>	<u>\$ 327</u>	<u>\$ (12,417)</u>
<b>NONCASH TRANSACTIONS:</b>			
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.			
The following noncash transactions occurred during the year:			
Capital Assets acquired through Capital Leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,520</u>

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
\$ 22	\$ 10,295	\$ 1	\$ 10,954	\$ 26,335
6,791	200,147	4,177	2,974	352,269
(662)	(196)	(2,204)	(7,868)	(37,680)
(1,903)	1,856	(1,305)	(5,526)	(126,605)
-	(219,755)	-	-	(219,755)
(1,271)	(215)	(910)	(333)	(9,227)
<u>2,977</u>	<u>(7,868)</u>	<u>(241)</u>	<u>201</u>	<u>(14,663)</u>
(3,163)	-	98	(83)	3,448
1,060	-	-	1	1,138
(690)	-	-	-	(6,090)
(15)	-	(4)	-	(177)
<u>(2,808)</u>	<u>-</u>	<u>94</u>	<u>(82)</u>	<u>(1,681)</u>
102	1,506	136	85	2,773
<u>102</u>	<u>1,506</u>	<u>136</u>	<u>85</u>	<u>2,773</u>
271	(6,362)	(11)	204	(13,571)
5,659	67,719	2,290	3,991	125,788
<u>\$ 5,930</u>	<u>\$ 61,357</u>	<u>\$ 2,279</u>	<u>\$ 4,195</u>	<u>\$ 112,217</u>
\$ 146	\$ (1,526)	\$ 94	\$ (214)	\$ (11,820)
2,663	-	219	36	11,311
(15)	17	(1)	131	51
(400)	(2,621)	(339)	145	(10,516)
-	-	-	-	(59)
-	-	-	-	(8)
589	3,054	(123)	106	2,858
(6)	6	(91)	(3)	(51)
-	(6,798)	-	-	(6,798)
-	-	-	-	369
<u>2,831</u>	<u>(6,342)</u>	<u>(335)</u>	<u>415</u>	<u>(2,843)</u>
<u>\$ 2,977</u>	<u>\$ (7,868)</u>	<u>\$ (241)</u>	<u>\$ 201</u>	<u>\$ (14,663)</u>
\$ -	\$ -	\$ 960	\$ -	\$ 25,480



---

# FIDUCIARY FUNDS

---

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

## PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

## PRIVATE PURPOSE TRUST FUNDS

**Escheat Trust Fund.** This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

**College Savings Plan.** This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

**Other Private Purpose Trust Funds.** Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

## AGENCY FUNDS

**Local Government Fund.** This fund receives money for redistribution to counties and other political subdivisions.

**Other Agency Funds.** Library Services, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

## State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY NET POSITION

## PENSION TRUST FUNDS

June 30, 2016

(Dollars in Thousands)

	STATE EMPLOYEES RETIREMENT		
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 17	\$ 98	\$ 108
Investments:			
U.S. Treasury Notes and Bonds	-	-	51,055
U.S. Treasury Bills	-	-	67
Government Agency Securities	-	-	990
Corporate Bonds	-	-	77,314
International Bonds	-	-	16,820
Equity Securities	-	-	194,234
Private Equity	-	-	88,640
Options	-	-	(3)
Mortgages	-	-	68,233
Private Real Estate	-	-	42,535
Adr's, GDRs & Trust	-	-	-
Asset Backed Securities	-	-	14,040
Bank Loans	-	-	29,102
Municipal Bonds	-	-	2,305
Commingled Funds	204,939	602,412	730,153
Short Term Investments	5,030	9,011	28,521
Total Investments	<u>209,969</u>	<u>611,423</u>	<u>1,344,006</u>
Securities Lending Collateral	-	-	27,475
Receivables:			
Contributions	-	769	3,118
Interest and Dividends	-	126	1,917
Other	-	89	59,089
Total Receivables	<u>-</u>	<u>984</u>	<u>64,124</u>
Due from Other Funds	-	-	-
Capital Assets:			
Buildings and Equipment	132	527	461
Less Accumulated Depreciation	(132)	(527)	(461)
Total Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 209,986</u>	<u>\$ 612,505</u>	<u>\$ 1,435,713</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 3	\$ 57	\$ 97,723
Due to Other Governments	-	-	-
Due to Other Funds	2	3	9
Obligations under Securities Lending	-	-	27,475
Accrued Compensated Absences	8	17	55
Total Liabilities	<u>\$ 13</u>	<u>\$ 77</u>	<u>\$ 125,262</u>
<b>NET POSITION</b>			
Net Position Restricted for Pensions	<u>\$ 209,973</u>	<u>\$ 612,428</u>	<u>\$ 1,310,451</u>



COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 39	\$ 53	\$ 5,243	\$ 114	\$ 132	\$ 5,804
-	15,125	431,334	7,112	15,656	520,282
-	20	-	-	-	87
-	293	14,459	238	525	16,505
-	22,903	576,862	9,511	20,939	707,529
-	4,983	137,271	2,263	4,983	166,320
-	57,539	1,407,757	23,210	51,099	1,733,839
-	26,259	645,499	10,643	23,430	794,471
-	(1)	(14)	-	(1)	(19)
-	20,213	454,378	7,492	16,493	566,809
-	12,601	318,969	5,259	11,578	390,942
-	-	3,451	57	125	3,633
-	4,159	86,584	1,428	3,143	109,354
-	8,621	228,805	3,772	8,305	278,605
-	683	13,747	227	499	17,461
184,362	216,299	5,426,157	89,462	205,096	7,658,880
2,690	11,476	128,924	2,126	5,133	192,911
187,052	401,173	9,874,183	162,800	367,003	13,157,609
-	8,139	215,941	3,560	7,838	262,953
353	1,741	22,952	290	-	29,223
37	568	12,907	213	466	16,234
26	17,505	561,718	9,261	20,389	668,077
416	19,814	597,577	9,764	20,855	713,534
-	-	44,578	-	2,725	47,303
264	264	4,812	66	66	6,592
(263)	(263)	(4,809)	(66)	(66)	(6,587)
1	1	3	-	-	5
\$ 187,508	\$ 429,180	\$ 10,737,525	\$ 176,238	\$ 398,553	\$ 14,187,208
\$ 18	\$ 29,576	\$ 816,117	\$ 13,432	\$ 29,551	\$ 986,477
-	-	6,671	-	-	6,671
2	7	78	1	2	104
-	8,139	215,941	3,560	7,838	262,953
9	30	278	4	6	407
\$ 29	\$ 37,752	\$ 1,039,085	\$ 16,997	\$ 37,397	\$ 1,256,612
\$ 187,479	\$ 391,428	\$ 9,698,440	\$ 159,241	\$ 361,156	\$ 12,930,596

State of Nebraska

# **COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS**

For the Year Ended June 30, 2016

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	CASH BALANCE
<b>ADDITIONS</b>			
Contributions:			
Participant Contributions	\$ 13,026	\$ 6,971	\$ 27,799
State Contributions	-	10,874	43,339
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	13,026	17,845	71,138
Investment Income:			
Net Appreciation (Depreciation) in			
Fair Value of Investments	1,961	(2,356)	2,079
Interest and Dividend Income	-	4,759	16,817
Securities Lending Income	-	11	239
Total Investment Income	1,961	2,414	19,135
Investment Expenses	-	673	4,304
Securities Lending Expenses	-	4	58
Total Investment Expense	-	677	4,362
Net Investment Income	1,961	1,737	14,773
Other Additions	94	4	12
Total Additions	15,081	19,586	85,923
<b>DEDUCTIONS</b>			
Benefits	18,918	39,735	85,278
Refunds	-	-	-
Administrative Expenses	202	285	1,079
Other Deductions	-	-	-
Total Deductions	19,120	40,020	86,357
<b>TRANSFERS</b>			
Transfers In (Out)	-	(5,849)	5,849
Change in Net Position Restricted for Pensions	(4,039)	(26,283)	5,415
<b>NET POSITION-BEGINNING OF YEAR</b>	214,012	638,711	1,305,036
<b>NET POSITION-END OF YEAR</b>	\$ 209,973	\$ 612,428	\$ 1,310,451

COUNTY EMPLOYEES RETIREMENT		SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
DEFINED CONTRIBUTION	CASH BALANCE				
\$ 2,425	\$ 10,966	\$ 177,152	\$ 1,651	\$ 4,360	\$ 244,350
3,574	16,069	44,578	-	7,086	125,520
-	-	179,609	-	-	179,609
-	-	-	3,459	-	3,459
5,999	27,035	401,339	5,110	11,446	552,938
(677)	1,119	53,949	874	1,814	58,763
1,417	4,943	126,807	2,098	4,847	161,688
3	71	2,174	36	79	2,613
743	6,133	182,930	3,008	6,740	223,064
194	1,274	32,910	543	1,223	41,121
1	17	737	12	27	856
195	1,291	33,647	555	1,250	41,977
548	4,842	149,283	2,453	5,490	181,087
1	4	42	-	27	184
6,548	31,881	550,664	7,563	16,963	734,209
10,029	23,081	512,492	9,052	17,752	716,337
-	-	14,066	-	1,824	15,890
134	545	3,206	71	129	5,651
-	-	8,615	-	-	8,615
10,163	23,626	538,379	9,123	19,705	746,493
(827)	827	-	-	-	-
(4,442)	9,082	12,285	(1,560)	(2,742)	(12,284)
191,921	382,346	9,686,155	160,801	363,898	12,942,880
\$ 187,479	\$ 391,428	\$ 9,698,440	\$ 159,241	\$ 361,156	\$ 12,930,596

State of Nebraska

# **COMBINING STATEMENT OF FIDUCIARY NET POSITION** **PRIVATE PURPOSE TRUST FUNDS**

June 30, 2016

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,452	\$ 5,984	\$ 8,045	\$ 22,481
Investments:				
Commingled Funds	-	3,848,458	-	3,848,458
Receivables:				
Interest and Dividends	55	536	52	643
Other Assets	1,081	-	1,091	2,172
Total Assets	<u>\$ 9,588</u>	<u>\$ 3,854,978</u>	<u>\$ 9,188</u>	<u>\$ 3,873,754</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 6	\$ 5,007	\$ 10	\$ 5,023
Deposits	-	-	2,389	2,389
Due to Other Funds	7	-	-	7
Total Liabilities	<u>\$ 13</u>	<u>\$ 5,007</u>	<u>\$ 2,399</u>	<u>\$ 7,419</u>
<b>NET POSITION</b>				
Restricted for:				
College Savings Plan	\$ -	\$ 3,849,971	\$ -	\$ 3,849,971
Other Purposes	9,575	-	6,789	16,364
Total Net Position	<u>\$ 9,575</u>	<u>\$ 3,849,971</u>	<u>\$ 6,789</u>	<u>\$ 3,866,335</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2016

(Dollars in Thousands)

	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
<b>ADDITIONS</b>				
Contributions:				
Participant Contributions	\$ -	\$ 381,280	\$ -	\$ 381,280
Client Contributions	-	-	11	11
Investment Income:				
Net Appreciation (Depreciation) in				
Fair Value of Investments	-	(3,245)	-	(3,245)
Interest and Dividend Income	227	3,970	184	4,381
Total Investment Income	227	725	184	1,136
Investment Expenses	-	18,491	-	18,491
Net Investment Income	227	(17,766)	184	(17,355)
Escheat Revenue	4,335	-	-	4,335
Other Additions	-	164	1,079	1,243
Total Additions	4,562	363,678	1,274	369,514
<b>DEDUCTIONS</b>				
Benefits	-	272,427	-	272,427
Amounts Distributed to Outside Parties	14,641	-	6,008	20,649
Administrative Expenses	1,096	-	69	1,165
Total Deductions	15,737	272,427	6,077	294,241
Change in Net Position Restricted for:				
College Savings Plan	-	91,251	-	91,251
Other Purposes	(11,175)	-	(4,803)	(15,978)
<b>NET POSITION-BEGINNING OF YEAR</b>	20,750	3,758,720	11,592	3,791,062
<b>NET POSITION-END OF YEAR</b>	\$ 9,575	\$ 3,849,971	\$ 6,789	\$ 3,866,335

State of Nebraska

# COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2016

(Dollars in Thousands)

	LOCAL GOVERNMENT FUND	OTHER	TOTALS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 68,835	\$ 39,763	\$ 108,598
Receivables:			
Interest and Dividends Receivable	381	118	499
Other	-	597	597
Total Assets	<u>\$ 69,216</u>	<u>\$ 40,478</u>	<u>\$ 109,694</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 151	\$ 19,915	\$ 20,066
Due to Other Governments	69,065	-	69,065
Other Liabilities	-	20,563	20,563
Total Liabilities	<u>\$ 69,216</u>	<u>\$ 40,478</u>	<u>\$ 109,694</u>

State of Nebraska

# COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

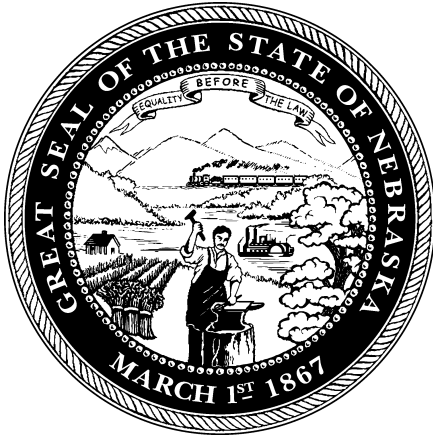
For the Year Ended June 30, 2016

(Dollars in Thousands)

	BALANCE July 1, 2015	ADDITIONS	REDUCTIONS	BALANCE June 30, 2016
<b>LOCAL GOVERNMENT FUND</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 67,765	\$ 669,027	\$ 667,957	\$ 68,835
Receivables:				
Interest and Dividends Receivable	366	962	947	381
Total Assets	<u>\$ 68,131</u>	<u>\$ 669,989</u>	<u>\$ 668,904</u>	<u>\$ 69,216</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 176	\$ 308,096	\$ 308,121	\$ 151
Due to Other Governments	67,955	361,893	360,783	69,065
Total Liabilities	<u>\$ 68,131</u>	<u>\$ 669,989</u>	<u>\$ 668,904</u>	<u>\$ 69,216</u>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 41,084	\$ 469,049	\$ 470,370	\$ 39,763
Receivables:				
Interest and Dividends Receivable	63	656	601	118
Other	550	13,547	13,500	597
Other Assets	1,179	-	1,179	-
Total Assets	<u>\$ 42,876</u>	<u>\$ 483,252</u>	<u>\$ 485,650</u>	<u>\$ 40,478</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 19,861	60,927	60,873	19,915
Other Liabilities	23,015	422,325	424,777	20,563
Total Liabilities	<u>\$ 42,876</u>	<u>\$ 483,252</u>	<u>\$ 485,650</u>	<u>\$ 40,478</u>
<b>TOTALS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 108,849	\$ 1,138,076	\$ 1,138,327	\$ 108,598
Receivables:				
Interest and Dividends Receivable	429	1,618	1,548	499
Other	550	13,547	13,500	597
Other Assets	1,179	-	1,179	-
Total Assets	<u>\$ 111,007</u>	<u>\$ 1,153,241</u>	<u>\$ 1,154,554</u>	<u>\$ 109,694</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 20,037	\$ 369,023	\$ 368,994	\$ 20,066
Due to Other Governments	67,955	361,893	360,783	69,065
Other Liabilities	23,015	422,325	424,777	20,563
Total Liabilities	<u>\$ 111,007</u>	<u>\$ 1,153,241</u>	<u>\$ 1,154,554</u>	<u>\$ 109,694</u>







## STATISTICAL SECTION

---

**STATISTICAL SECTION TABLE OF CONTENTS**For the Year Ended June 30, 2016

---

This part of the State of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

**FINANCIAL TRENDS INFORMATION**

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

	<b>Page</b>
Net Position by Component .....	137
Changes in Net Position .....	138
Fund Balances - Governmental Funds .....	143
Changes in Fund Balances - Governmental Funds .....	144

**REVENUE CAPACITY INFORMATION**

These schedules present revenue capacity information for the two largest own-source revenues – individual income tax and sales and use tax. Individual income tax and sales and use tax are the primary sources of general fund revenue.

Individual Income Tax Rates .....	146
Individual Income Tax Liability by Income Level .....	147
Taxable Sales by Industry .....	148

**DEBT CAPACITY INFORMATION**

The State has no debt because the Nebraska State Constitution prohibits the State's debt from exceeding, in the aggregate, one hundred thousand dollars. However, the State does have leasing arrangements; such information is provided in this section.

Ratios of Outstanding Debt .....	149
----------------------------------	-----

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

Comparative Unemployment, Nebraska and United States .....	150
Population, Personal and Per Capita Income, Nebraska and United States .....	151
Ten Largest Employers .....	151
Public and State Operated School Enrollment, Prekindergarten-Grade 12 .....	152
Public Higher Education Institutions Total Fall Headcount Enrollment .....	152

**OPERATING INFORMATION**

These schedules contain information about the State's operations and resources to help the reader understand how the State's financial information relates to the activities it performs.

Full Time Equivalent Permanent Employees by Function .....	153
Operating Indicators by Function .....	154
Capital Asset Statistics by Function .....	155

**MISCELLANEOUS DATA** .....156

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

State of Nebraska

**NET POSITION BY COMPONENT**

2007 - 2016

(Dollars in Thousands)

	2007	2008	2009	2010	2011
<b>Governmental activities</b>					
Net investment in capital assets	\$ 7,428,729	\$ 7,587,729	\$ 7,718,610	\$ 7,820,246	\$ 7,982,821
Restricted	1,762,849	1,789,943	1,631,962	1,754,186	2,006,750
Unrestricted	966,918	1,078,546	1,015,196	850,757	806,676
Total governmental activities net position	<u>\$ 10,158,496</u>	<u>\$ 10,456,218</u>	<u>\$ 10,365,768</u>	<u>\$ 10,425,189</u>	<u>\$ 10,796,247</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 5,763	\$ 6,426	\$ 6,283	\$ 5,848	\$ 6,809
Restricted	321,396	344,186	270,394	240,878	345,731
Unrestricted	31,019	47,777	47,082	72,173	65,690
Total business-type activities net position	<u>\$ 358,178</u>	<u>\$ 398,389</u>	<u>\$ 323,759</u>	<u>\$ 318,899</u>	<u>\$ 418,230</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 7,434,492	\$ 7,594,155	\$ 7,724,893	\$ 7,826,094	\$ 7,989,630
Restricted	2,084,245	2,134,129	1,902,356	1,995,064	2,352,481
Unrestricted	997,937	1,126,323	1,062,278	922,930	872,366
Total primary government net position	<u>\$ 10,516,674</u>	<u>\$ 10,854,607</u>	<u>\$ 10,689,527</u>	<u>\$ 10,744,088</u>	<u>\$ 11,214,477</u>

(Dollars in Thousands)

	2012	2013	2014	2015	2016
<b>Governmental activities</b>					
Net investment in capital assets	\$ 8,041,150	\$ 8,468,618	\$ 8,571,554	\$ 8,673,916	\$ 8,757,532
Restricted	2,083,822	2,217,372	2,431,057	2,495,373	2,554,449
Unrestricted	905,503	1,193,571	1,401,782	1,156,733	968,515
Total governmental activities net position	<u>\$ 11,030,475</u>	<u>\$ 11,879,561</u>	<u>\$ 12,404,393</u>	<u>\$ 12,326,022</u>	<u>\$ 12,280,496</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 6,379	\$ 7,362	\$ 7,255	\$ 7,030	\$ 6,870
Restricted	405,135	440,849	462,064	466,735	490,408
Unrestricted	77,262	80,149	87,763	87,538	87,761
Total business-type activities net position	<u>\$ 488,776</u>	<u>\$ 528,360</u>	<u>\$ 557,082</u>	<u>\$ 561,303</u>	<u>\$ 585,039</u>
<b>Primary government</b>					
Net investment in capital assets	\$ 8,047,529	\$ 8,475,980	\$ 8,578,809	\$ 8,680,946	\$ 8,764,402
Restricted	2,488,957	2,658,221	2,893,121	2,962,108	3,044,857
Unrestricted	982,765	1,273,720	1,489,545	1,244,271	1,056,276
Total primary government net position	<u>\$ 11,519,251</u>	<u>\$ 12,407,921</u>	<u>\$ 12,961,475</u>	<u>\$ 12,887,325</u>	<u>\$ 12,865,535</u>

NOTE: Prior year amounts have not been adjusted for the 2016 restatement of unreported loans receivable.

State of Nebraska

# CHANGES IN NET POSITION

2007 - 2016

(Dollars in Thousands)

	2007	2008	2009	2010
<b>Governmental Activities:</b>				
Expenses				
General Government	\$ 354,737	\$ 437,830	\$ 468,433	\$ 471,614
Conservation of Natural Resources	119,286	112,936	127,677	148,452
Culture - Recreation	27,031	26,073	29,272	24,228
Economic Development and Assistance	89,310	84,852	88,520	95,228
Education	1,369,110	1,450,085	1,562,662	1,712,705
Higher Education - Colleges and University	528,861	558,282	571,268	571,288
Health and Social Services	2,649,535	2,744,217	2,912,708	3,010,299
Public Safety	359,755	372,677	351,673	372,813
Regulation of Business and Professions	155,692	130,603	123,579	132,094
Transportation	614,919	714,032	797,462	736,449
Interest on Long-term Debt	2,337	2,241	1,828	1,400
Net Pension Expense	-	-	-	-
Total expenses	6,270,573	6,633,828	7,035,082	7,276,570
Program Revenues				
Charges for Services:				
General Government	86,746	86,869	87,575	100,501
Conservation of Natural Resources	34,578	34,439	35,324	35,483
Culture - Recreation	16,823	17,072	18,153	18,550
Economic Development and Assistance	5,043	4,808	2,259	2,171
Education	26,180	25,807	30,402	34,166
Health and Social Services	115,036	126,075	148,971	109,333
Public Safety	24,348	25,118	25,363	25,320
Regulation of Business and Professions	118,119	122,667	132,771	131,814
Transportation	89,358	105,748	112,493	95,950
Operating grants and contributions	2,217,531	2,235,104	2,490,255	2,841,557
Capital grants and contributions	8,137	21,258	25,252	24,680
Total program revenues	2,741,899	2,804,965	3,108,818	3,419,525
Total Governmental Activities				
Net Program Expense	(3,528,674)	(3,828,863)	(3,926,264)	(3,857,045)
General Revenues and Other Changes in Net Position				
Taxes				
Income taxes	1,859,467	1,956,656	1,787,950	1,676,829
Sales and use taxes	1,441,743	1,481,067	1,476,995	1,447,865
Petroleum taxes	326,795	290,721	305,793	303,865
Excise taxes	137,525	141,012	134,877	132,779
Business and franchise taxes	68,771	80,925	70,270	79,115
Other taxes	36,832	15,269	10,863	13,436
Total taxes	3,871,133	3,965,650	3,786,748	3,653,889
Unrestricted investment earnings	250,175	114,252	14,582	216,190
Miscellaneous	730	3,374	401	(1,927)
Contributions to permanent fund principal	18,800	12,301	3,838	16,314
Transfers	29,266	31,008	30,245	32,000
Total general revenues and other changes in net position	4,170,104	4,126,585	3,835,814	3,916,466
Total Governmental Activities				
Change in Net Position	\$ 641,430	\$ 297,722	\$ (90,450)	\$ 59,421

NOTE: Prior year amounts have not been adjusted for the 2016 restatement of unreported loans receivable.

2011	2012	2013	2014	2015	2016
\$ 476,622	\$ 460,612	\$ 458,483	\$ 507,065	\$ 548,000	\$ 631,739
155,692	151,318	143,437	143,324	149,492	144,326
28,837	24,752	31,114	30,532	31,410	37,118
111,096	102,839	96,433	89,109	109,318	99,611
1,807,170	1,570,235	1,645,097	1,712,015	1,723,893	1,799,893
561,090	557,162	572,341	618,033	651,138	676,456
3,069,195	3,139,786	3,195,733	3,241,947	3,350,345	3,477,627
361,921	366,084	384,081	376,449	408,096	409,403
121,616	122,211	134,172	123,879	125,207	118,005
696,727	905,498	859,289	919,679	981,999	1,096,243
1,153	1,204	784	627	1,289	192
-	-	-	-	29,409	79,670
7,391,119	7,401,701	7,520,964	7,762,659	8,109,596	8,570,283
88,550	95,899	82,247	90,336	90,319	95,871
36,263	32,804	37,019	34,550	33,624	39,476
18,657	22,984	20,513	20,225	22,752	25,725
1,007	4,126	1,245	2,529	1,758	1,065
36,545	36,831	47,751	46,522	49,350	51,790
112,145	120,745	128,012	125,285	130,645	124,134
26,973	26,322	33,012	33,265	34,918	37,731
135,820	131,312	140,910	131,969	139,275	129,750
98,151	110,842	107,008	112,175	109,427	110,984
2,939,166	2,646,825	2,704,464	2,622,119	2,648,173	2,719,366
29,234	15,789	20,040	18,657	3,320	946
3,522,511	3,244,479	3,322,221	3,237,632	3,263,561	3,336,838
(3,868,608)	(4,157,222)	(4,198,743)	(4,525,027)	(4,846,035)	(5,233,445)
1,889,796	2,064,233	2,362,511	2,387,039	2,578,226	2,520,240
1,545,494	1,638,610	1,661,208	1,792,176	1,829,956	1,827,206
321,919	322,284	323,519	344,335	345,357	363,824
135,250	136,825	130,725	128,281	129,390	133,620
65,630	73,849	78,204	104,366	85,959	109,649
9,243	9,818	7,849	7,579	7,117	6,404
3,967,332	4,245,619	4,564,016	4,763,776	4,976,005	4,960,943
214,054	92,037	96,522	223,246	88,736	144,734
2,590	-	1,518	3,322	1,548	2,159
23,635	17,719	26,453	21,241	19,331	24,712
32,055	36,075	40,014	38,274	56,299	49,414
4,239,666	4,391,450	4,728,523	5,049,859	5,141,919	5,181,962
\$ 371,058	\$ 234,228	\$ 529,780	\$ 524,832	\$ 295,884	\$ (51,483)

(continued)

State of Nebraska

# CHANGES IN NET POSITION (Continued)

2007 - 2016

(Dollars in Thousands)

	2007	2008	2009	2010
<b>Business-type Activities:</b>				
Expenses				
Unemployment Insurance	\$ 93,939	\$ 98,365	\$ 242,201	\$ 431,836
Lottery	85,895	91,653	94,676	98,948
Excess Liability	13,731	(2,707)	12,430	7,220
Cornhusker State Industries	11,690	10,435	10,221	11,847
Total expenses	<u>205,255</u>	<u>197,746</u>	<u>359,528</u>	<u>549,851</u>
Revenues				
Charges for services:				
Unemployment Insurance	127,340	102,881	149,937	391,067
Lottery	114,489	121,910	123,251	130,580
Excess Liability	12,474	10,947	9,267	21,475
Cornhusker State Industries	9,341	9,880	9,412	13,549
Total revenues	<u>263,644</u>	<u>245,618</u>	<u>291,867</u>	<u>556,671</u>
Total Business-type Activities				
Net Program Expense	<u>58,389</u>	<u>47,872</u>	<u>(67,661)</u>	<u>6,820</u>
Other Changes in Net Position				
Unrestricted investment earnings	18,308	23,347	23,276	20,293
Miscellaneous	-	-	-	27
Transfers	<u>(29,266)</u>	<u>(31,008)</u>	<u>(30,245)</u>	<u>(32,000)</u>
Total other changes in net position	<u>(10,958)</u>	<u>(7,661)</u>	<u>(6,969)</u>	<u>(11,680)</u>
Total Business-type Activities				
Change in Net Position	<u>\$ 47,431</u>	<u>\$ 40,211</u>	<u>\$ (74,630)</u>	<u>\$ (4,860)</u>
<b>Total Primary Government</b>				
Change in Net Position	<u>\$ 688,861</u>	<u>\$ 337,933</u>	<u>\$ (165,080)</u>	<u>\$ 54,561</u>

**NOTE:** The increases in taxes and change in net position from 2006 to 2008 for governmental activities were primarily due to a strengthening economy.  
The decreases in taxes in 2009 and 2010 and change in net position in 2009 were primarily due to the economic recession.

2011	2012	2013	2014	2015	2016
\$ 329,576	\$ 261,750	\$ 167,957	\$ 122,351	\$ 93,612	\$ 78,747
101,625	113,935	120,515	121,046	123,278	135,819
19,623	672	3,850	1,174	5,755	9,010
13,451	11,621	9,271	11,582	13,066	13,830
<u>464,275</u>	<u>387,978</u>	<u>301,593</u>	<u>256,153</u>	<u>235,711</u>	<u>237,406</u>
422,977	310,188	194,996	133,665	107,613	97,748
131,919	150,612	160,753	157,896	159,968	179,473
8,943	5,509	4,946	5,478	4,519	3,928
15,568	12,053	10,299	11,336	12,099	13,505
<u>579,407</u>	<u>478,362</u>	<u>370,994</u>	<u>308,375</u>	<u>284,199</u>	<u>294,654</u>
<u>115,132</u>	<u>90,384</u>	<u>69,401</u>	<u>52,222</u>	<u>48,488</u>	<u>57,248</u>
16,254	16,237	10,197	14,772	12,018	15,882
-	-	-	2	14	20
<u>(32,055)</u>	<u>(36,075)</u>	<u>(40,014)</u>	<u>(38,274)</u>	<u>(56,299)</u>	<u>(49,414)</u>
<u>(15,801)</u>	<u>(19,838)</u>	<u>(29,817)</u>	<u>(23,500)</u>	<u>(44,267)</u>	<u>(33,512)</u>
<u>\$ 99,331</u>	<u>\$ 70,546</u>	<u>\$ 39,584</u>	<u>\$ 28,722</u>	<u>\$ 4,221</u>	<u>\$ 23,736</u>
<u>\$ 470,389</u>	<u>\$ 304,774</u>	<u>\$ 569,364</u>	<u>\$ 553,554</u>	<u>\$ 300,105</u>	<u>\$ (27,747)</u>





State of Nebraska  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**2007 - 2016**

(Dollars in thousands)					
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 438	\$ 1,368	\$ 1,062	\$ 894	\$ -
Unreserved	971,205	972,307	855,542	715,530	-
Nonspendable	-	-	-	-	785
Committed	-	-	-	-	313,202
Unassigned	-	-	-	-	419,460
Total general fund	<u>\$ 971,643</u>	<u>\$ 973,675</u>	<u>\$ 856,604</u>	<u>\$ 716,424</u>	<u>\$ 733,447</u>
All Other Governmental Funds					
Reserved	\$ 659,349	\$ 687,095	\$ 694,503	\$ 729,377	\$ -
Unreserved					
Special revenue funds	1,014,579	1,065,392	997,377	1,062,679	-
Permanent funds	115,901	91,759	23,073	67,754	-
Other funds	51,784	121,686	118,933	82,371	-
Nonspendable	-	-	-	-	468,363
Restricted	-	-	-	-	1,543,263
Committed	-	-	-	-	69,619
Assigned	-	-	-	-	32,439
Total all other governmental funds	<u>\$ 1,841,613</u>	<u>\$ 1,965,932</u>	<u>\$ 1,833,886</u>	<u>\$ 1,942,181</u>	<u>\$ 2,113,684</u>

(Dollars in thousands)					
	2012	2013	2014	2015	2016
General Fund					
Nonspendable	953	1,114	1,802	1,580	1,087
Committed	383,379	384,121	719,065	727,835	730,655
Unassigned	430,466	648,092	540,891	614,763	396,669
Total general fund	<u>\$ 814,798</u>	<u>\$ 1,033,327</u>	<u>\$ 1,261,758</u>	<u>\$ 1,344,178</u>	<u>\$ 1,128,411</u>
All Other Governmental Funds					
Nonspendable	490,928	514,985	536,087	550,082	555,720
Restricted	1,601,306	1,697,151	1,889,186	1,931,112	1,983,398
Committed	73,327	135,605	124,154	99,358	113,034
Assigned	37,032	45,708	46,813	50,094	46,237
Total all other governmental funds	<u>\$ 2,202,593</u>	<u>\$ 2,393,449</u>	<u>\$ 2,596,240</u>	<u>\$ 2,630,646</u>	<u>\$ 2,698,389</u>

**NOTE:** The classification of fund balances changed in 2011 with the implementation of GASB Statement No. 54.

State of Nebraska  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**2007 - 2016**

(Dollars in Thousands)

	2007	2008	2009	2010
<b>REVENUES</b>				
Taxes:				
Income	\$ 1,860,712	\$ 1,950,363	\$ 1,790,025	\$ 1,675,922
Sales and Use	1,437,994	1,474,251	1,475,234	1,452,362
Petroleum	329,490	295,321	309,626	307,005
Excise	135,449	138,799	134,877	132,779
Business and Franchise	68,771	80,925	70,270	79,115
Other	36,832	15,269	10,863	13,436
Total Taxes	3,869,248	3,954,928	3,790,895	3,660,619
Federal Grants and Contracts	2,225,668	2,256,362	2,514,288	2,865,989
Licenses, Fees and Permits	211,167	259,000	268,817	266,899
Charges for Services	92,370	108,301	137,234	96,165
Investment Income	246,753	110,716	10,508	212,353
Rental Income	49,968	51,809	54,549	49,286
Other	173,948	129,861	123,953	146,216
Total Revenues	6,869,122	6,870,977	6,900,244	7,297,527
<b>EXPENDITURES</b>				
Current:				
General Government	311,324	430,310	439,614	439,330
Conservation of Natural Resources	119,533	112,333	127,562	149,556
Culture – Recreation	26,250	26,226	28,305	30,183
Economic Development and Assistance	89,440	85,807	88,824	96,584
Education	1,366,330	1,448,170	1,565,692	1,710,935
Higher Education - Colleges and University	528,861	558,282	571,268	571,288
Health and Social Services	2,659,210	2,715,383	2,920,472	3,004,678
Public Safety	359,514	383,156	370,605	351,084
Regulation of Business and Professions	155,195	130,330	123,476	131,884
Transportation	763,907	853,521	915,980	842,583
Capital Projects	27,494	27,289	25,333	30,584
Debt Service				
Principal	6,575	6,215	7,625	6,105
Interest	1,666	1,459	1,256	976
Total Expenditures	6,415,299	6,778,481	7,186,012	7,365,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	453,823	92,496	(285,768)	(68,243)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	155,268	253,986	171,202	226,156
Transfers Out	(126,002)	(222,978)	(140,957)	(194,156)
Other	234	2,847	6,406	4,358
Net Change in Fund Balances	483,323	126,351	(249,117)	(31,885)
Restatements	-	-	-	-
<b>BEGINNING FUND BALANCE (as restated)</b>	2,329,933	2,813,256	2,939,607	2,690,490
<b>ENDING FUND BALANCE</b>	\$ 2,813,256	\$ 2,939,607	\$ 2,690,490	\$ 2,658,605
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<1%	<1%	<1%	<1%

**NOTE:** The increases in taxes and fund balances from 2006 to 2008 were primarily due to a strengthening economy.  
The decreases in taxes and fund balances in 2009 and 2010 were primarily due to the economic recession.

2011	2012	2013	2014	2015	2016
\$ 1,889,223	\$ 2,063,322	\$ 2,362,392	\$ 2,387,255	\$ 2,576,621	\$ 2,517,537
1,544,303	1,634,346	1,659,029	1,784,367	1,833,701	1,828,465
326,016	327,295	328,253	350,648	349,721	365,695
135,250	136,825	130,725	128,281	129,390	133,620
65,630	73,849	78,204	104,366	85,959	109,649
9,243	9,818	7,849	7,579	7,117	6,404
3,969,665	4,245,455	4,566,452	4,762,496	4,982,509	4,961,370
2,967,939	2,662,605	2,724,454	2,639,975	2,651,355	2,720,258
282,078	295,286	333,431	312,889	318,198	322,736
96,779	102,633	85,517	94,454	109,207	112,984
209,509	87,948	93,086	220,595	86,211	141,897
55,158	57,838	67,487	65,471	70,910	74,941
123,754	124,973	122,788	110,879	116,072	111,279
7,704,882	7,576,738	7,993,215	8,206,759	8,334,462	8,445,465
450,474	420,143	422,689	465,818	551,297	623,393
156,268	150,970	144,284	144,628	151,308	145,218
30,290	28,434	30,550	31,014	38,653	44,313
113,506	102,902	96,759	89,382	109,976	100,007
1,810,806	1,581,956	1,641,158	1,708,712	1,774,095	1,842,774
561,090	557,162	572,341	618,033	651,138	676,456
3,079,889	3,139,042	3,194,565	3,217,372	3,355,065	3,477,074
375,334	378,982	395,095	377,086	414,235	417,785
122,852	122,025	134,223	123,349	125,099	117,894
832,394	932,445	974,324	1,025,623	1,076,805	1,175,832
16,676	28,123	21,070	12,164	19,824	28,174
3,380	2,865	4,755	2,110	6,995	1,425
647	684	344	260	1,090	7
7,553,606	7,445,733	7,632,157	7,815,551	8,275,580	8,650,352
151,276	131,005	361,058	391,208	58,882	(204,887)
175,684	170,673	204,413	127,212	249,057	249,761
(143,629)	(134,598)	(164,399)	(88,938)	(192,758)	(200,347)
5,195	1,505	1,440	1,740	1,645	1,492
188,526	168,585	402,512	431,222	116,826	(153,981)
-	-	6,873	1,675	-	5,957
2,658,605	2,847,131	3,015,716	3,425,101	3,857,998	3,974,824
\$ 2,847,131	\$ 3,015,716	\$ 3,425,101	\$ 3,857,998	\$ 3,974,824	\$ 3,826,800
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

# INDIVIDUAL INCOME TAX RATES

2007 - 2016

	Tax Brackets			
	Bracket 1	Bracket 2	Bracket 3	Bracket 4
<b>Single</b>				
2007 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2007 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2016 Rates	2.46%	3.51%	5.01%	6.84%
<b>Heads of Household</b>				
2007 - 2013 Income Range	\$0-4,500	\$4,500-28,000	\$28,000-40,000	Over \$40,000
2014 Income Range	\$0-5,600	\$5,600-28,800	\$28,800-43,000	Over \$43,000
2015 Income Range	\$0-5,690	\$5,690-29,260	\$29,260-43,680	Over \$43,680
2016 Income Range	\$0-5,710	\$5,710-29,390	\$29,390-43,880	Over \$43,880
2007 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2016 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Joint</b>				
2007 - 2013 Income Range	\$0-4,800	\$4,800-35,000	\$35,000-54,000	Over \$54,000
2014 Income Range	\$0-6,000	\$6,000-36,000	\$36,000-58,000	Over \$58,000
2015 Income Range	\$0-6,090	\$6,090-36,570	\$36,570-58,920	Over \$58,920
2016 Income Range	\$0-6,120	\$6,120-36,730	\$36,730-59,180	Over \$59,180
2007 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2016 Rates	2.46%	3.51%	5.01%	6.84%
<b>Married Filing Separate</b>				
2007 - 2013 Income Range	\$0-2,400	\$2,400-17,500	\$17,500-27,000	Over \$27,000
2014 Income Range	\$0-3,000	\$3,000-18,000	\$18,000-29,000	Over \$29,000
2015 Income Range	\$0-3,050	\$3,050-18,280	\$18,280-29,460	Over \$29,460
2016 Income Range	\$0-3,060	\$3,060-18,370	\$18,370-29,590	Over \$29,590
2007 - 2012 Rates	2.56%	3.57%	5.12%	6.84%
2013 - 2016 Rates	2.46%	3.51%	5.01%	6.84%

**SOURCE:** Nebraska Department of Revenue

State of Nebraska

# INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 2004 and 2013

2004				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	119,187	\$ 4,739,697	47,833	0.36%
\$10,000 - 24,999	190,678	\$ 42,346,154	164,829	3.23%
\$25,000 - 49,999	218,793	\$ 180,788,973	215,150	13.77%
\$50,000 - 99,999	192,974	\$ 437,276,413	191,287	33.31%
\$100,000 and Over	72,968	\$ 647,594,584	70,841	49.33%
State Total	794,600	\$ 1,312,745,821	689,940	100.00%

2013				
Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than \$10,000	140,550	\$ 5,362,477	45,234	0.27%
\$10,000 - 24,999	192,646	\$ 27,881,407	177,752	1.41%
\$25,000 - 49,999	231,292	\$ 166,740,039	226,330	8.43%
\$50,000 - 99,999	232,367	\$ 494,399,577	228,977	24.98%
\$100,000 and Over	157,602	\$ 1,284,544,484	152,503	64.91%
State Total	954,457	\$ 1,978,927,984	830,796	100.00%

SOURCE: Department of Revenue 2004 and 2013 Annual Reports; [www.revenue.nebraska.gov](http://www.revenue.nebraska.gov)

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.  
Tax year 2013 is the most recent year for which data is available.

State of Nebraska

# **TAXABLE SALES BY INDUSTRY**

Calendar Years 2006 and 2015

	2006	2015
Agriculture, Forestry, Fishing & Hunting	\$ 66,658,538	\$ 74,441,744
Mining	44,552,539	48,311,677
Utilities	1,806,935,192	2,327,582,496
Construction	877,523,045	610,556,735
Manufacturing	575,251,378	517,057,354
Wholesale Trade	1,332,807,057	1,511,404,995
Retail Trade	8,791,236,842	10,736,510,168
Transportation	81,111,283	95,564,503
Warehousing Services	22,195,783	34,104,081
Information	889,872,472	874,154,609
Finance & Insurance	65,701,919	22,501,707
Real Estate, Rental & Leasing Services	215,219,634	270,038,435
Professional, Scientific & Technical Services	278,166,467	349,954,111
Management of Companies & Enterprises Services	4,375,857	4,310,996
Administration, Support, Waste Management, Remedial Services	522,880,801	517,250,273
Educational Services	62,426,209	25,361,875
Health Care & Social Assistance Services	35,405,971	40,580,975
Arts, Entertainment & Recreation Services	277,203,748	370,918,922
Accommodation & Food Services	2,326,051,680	3,483,277,520
Other Services	730,540,516	953,267,622
Public Administration	122,659,844	263,225,310
Unclassified	39,390,058	1,693,689
Nebraska Total	19,168,166,833	23,132,069,797
Non-Nebraska (1)	3,149,224,588	5,318,127,040
Nebraska - Total Sales	\$ 22,317,391,421	\$ 28,450,196,837
Direct sales tax rate	Jan. 1 - Dec. 31 5.5%	Jan. 1 - Dec. 31 5.5%

**SOURCE:** Nebraska Department of Revenue - Annual Report  
Sales Tax Statistics by Nebraska Business Classification

**NOTES:** (1) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.

State of Nebraska

# RATIOS OF OUTSTANDING DEBT

2007 - 2016

(Dollars in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities</b>										
Lease rental bonds (blended component units)	\$ 15,240	\$ 10,835	\$ 4,850	- \$	- \$	- \$	- \$	- \$	- \$	-
Capital leases under certificates of participation	22,072	19,509	22,182	23,181	27,308	25,358	22,716	18,175	15,475	34,780
Obligations under other financing arrangements	13,805	14,785	15,660	14,405	16,220	14,860	6,315	5,565	-	-
<b>Total Primary Government</b>	<b>\$ 51,117</b>	<b>\$ 45,129</b>	<b>\$ 42,692</b>	<b>\$ 37,586</b>	<b>\$ 43,528</b>	<b>\$ 40,218</b>	<b>\$ 29,031</b>	<b>\$ 23,740</b>	<b>\$ 15,475</b>	<b>\$ 34,780</b>
<b>Debt as a Percentage of Personal Income</b>	0.08%	0.07%	0.06%	0.05%	0.06%	0.05%	0.03%	0.03%	0.02%	0.04%
<b>Amount of Debt per Capita</b>	<b>\$ 29</b>	<b>\$ 25</b>	<b>\$ 24</b>	<b>\$ 21</b>	<b>\$ 24</b>	<b>\$ 22</b>	<b>\$ 16</b>	<b>\$ 13</b>	<b>\$ 8</b>	<b>18</b>

**NOTE:** Details regarding Lease Commitments, Obligations Under Other Financing Arrangements, and Bonds Payable can be found in CAFR Notes 8, 9 & 14 of the financial statements.  
Population figures from the Population, Personal and Per Capita Income schedule.

State of Nebraska

# COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

2006 - 2015

YEAR	NEBRASKA			NEBRASKA	UNITED STATES
	TOTAL LABOR FORCE	TOTAL EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNEMPLOYMENT AS PERCENT OF LABOR FORCE
2006	974,476	945,270	29,206	3.0 %	4.6 %
2007	983,438	953,769	29,669	3.0	4.6
2008	995,635	962,418	33,217	3.3	5.8
2009	983,517	938,080	45,437	4.6	9.3
2010	976,859	931,414	45,445	4.7	9.6
2011	1,005,455	960,830	44,625	4.4	8.9
2012	1,020,913	980,668	40,245	3.9	8.1
2013	1,030,977	991,039	39,938	3.9	7.4
2014	1,022,152	988,249	33,903	3.3	6.2
2015	1,012,096	983,856	28,241	2.8	5.3

**SOURCE:** Nebraska Statistics - Nebraska Department of Labor, Labor Market Information  
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics



State of Nebraska

# POPULATION, PERSONAL AND PER CAPITA INCOME NEBRASKA AND UNITED STATES

Calendar Years 2006 – 2015

YEAR	NEBRASKA			UNITED STATES		
	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
2006	1,768,331	60,826	34,397	299,398,484	10,860,917	36,276
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564
2008	1,783,432	69,820	39,150	304,059,724	12,225,589	40,208
2009	1,796,619	70,565	39,277	307,006,550	12,165,474	39,626
2010	1,830,429	72,620	39,674	309,349,689	12,357,113	39,945
2011	1,842,641	78,220	42,450	311,591,917	12,949,905	41,560
2012	1,855,525	83,521	45,012	313,914,040	13,729,063	43,735
2013	1,868,516	86,013	46,033	316,128,839	14,081,242	44,543
2014	1,881,503	88,569	47,073	318,857,056	14,708,582	46,129
2015	1,896,190	92,048	48,544	321,418,820	15,463,981	48,112

**SOURCE:** U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

## TEN LARGEST EMPLOYERS

2015 and 2006

	December 2015			December 2006		
	Total Employment	983,856		Total Employment	945,270	
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
University of Nebraska *	1	16,563	1.683	3	14,164	1.498
State of Nebraska (excluding University)	2	16,445	1.671	1	16,721	1.769
Alegent Health	3	11,512	1.170	6	6,000	0.635
Tyson Foods, Inc.	4	10,760	1.094	4	11,000	1.164
Walmart	5	9,605	0.976	5	9,755	1.032
Omaha Public Schools	6	7,351	0.747	7	5,832	0.617
Hy-Vee Food Stores	7	6,210	0.631	10	4,843	0.512
Crete Carrier	8	6,000	0.610	16	3,040	0.322
Lincoln Public Schools	9	5,839	0.593	8	5,501	0.582
First National Bank	10	4,440	0.451	11	4,651	0.492
US Government (excluding Department of Defense) **				2	15,403	1.629
First Data Corp.				9	5,470	0.579

**SOURCE:** The Nebraska Department of Economic Development,  
Hoovers, a Dun and Bradstreet data base, and Employers

**NOTES:**

\* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

\*\* Sources did not track US Government employment in Nebraska

State of Nebraska

# **PUBLIC AND STATE OPERATED SCHOOL ENROLLMENT** **PREKINDERGARTEN – GRADE 12**

2006/07 – 2015/16

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
2006 – 2007	29,013	62,781	61,358	67,008	66,975	287,135
2007 – 2008	32,666	63,964	61,471	65,729	67,281	291,111
2008 – 2009	33,835	65,227	62,079	64,839	66,517	292,497
2009 – 2010	35,525	66,401	63,340	64,349	65,737	295,352
2010 – 2011	36,171	67,702	64,688	64,429	65,560	298,550
2011 – 2012	36,682	68,470	65,974	64,341	65,850	301,317
2012 – 2013	35,926	69,224	66,951	65,127	66,277	303,505
2013 – 2014	38,482	68,140	68,182	66,369	66,504	307,677
2014 - 2015	39,204	69,398	68,988	67,843	67,202	312,635
2015 - 2016	39,039	69,979	69,688	68,560	68,749	316,015

**SOURCE:** Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

# **PUBLIC HIGHER EDUCATION INSTITUTIONS** **TOTAL FALL HEADCOUNT ENROLLMENT**

2006 - 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>COLLEGES AND UNIVERSITIES:</b>										
Chadron State College	2,577	2,660	2,649	2,712	2,759	2,851	2,994	3,056	3,033	2,993
Peru State College	2,124	2,307	2,328	2,492	2,518	2,358	2,390	2,422	2,499	2,506
Wayne State College	3,407	3,527	3,566	3,631	3,569	3,517	3,555	3,506	3,470	3,431
University of Nebraska										
Lincoln (1)	22,378	22,877	23,862	24,525	24,993	24,926	24,538	24,745	25,390	25,772
Omaha	13,906	14,156	14,213	14,620	14,665	14,712	14,786	15,227	15,227	15,526
Kearney	6,468	6,478	6,543	6,650	6,753	7,100	7,199	7,052	6,902	6,747
Medical Center	3,067	2,206	3,194	3,237	3,494	3,625	3,655	3,681	3,696	3,790
TOTAL COLLEGES AND UNIVERSITIES	53,927	54,211	56,355	57,867	58,751	59,089	59,117	59,689	60,217	60,765
<b>COMMUNITY COLLEGES</b>										
Central CC	6,543	6,531	6,885	7,320	7,527	7,521	7,283	6,906	6,377	6,227
Metropolitan CC	14,098	14,804	15,055	17,003	18,523	18,518	17,376	15,752	14,675	14,812
Mid-Plains CC	3,030	2,715	2,708	2,765	2,988	2,623	2,591	2,491	2,143	2,235
Northeast CC	5,261	5,149	5,140	5,205	5,377	5,161	5,251	5,145	5,061	5,051
Southeast CC	9,594	9,603	10,419	11,556	12,242	11,479	10,168	9,751	9,392	9,248
Western CC	1,918	2,233	2,939	2,304	2,395	2,240	2,230	1,960	1,836	1,534
TOTAL COMMUNITY COLLEGES	40,444	41,035	43,146	46,153	49,052	47,542	44,899	42,005	39,484	39,107
TOTAL ALL INSTITUTIONS	94,371	95,246	99,501	104,020	107,803	106,631	104,016	101,694	99,701	99,872

**NOTE:** (1) University of Nebraska-Lincoln count includes Nebraska College of Technical Agriculture - Curtis for all years.

**SOURCE:** Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

**FULL TIME EQUIVALENT PERMANENT  
EMPLOYEES BY FUNCTION  
2006 - 2015**

<b>FUNCTION</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Conservation	313	318	309	318	329	323	328	321	316	313
Regulation	372	362	364	358	357	350	355	358	353	360
Economic Development	532	525	452	478	441	459	430	426	439	440
Culture and Recreation	579	564	556	542	519	495	503	512	510	504
Education	601	590	593	606	598	586	578	579	603	608
Transportation	2,163	2,137	2,153	2,175	2,147	2,118	2,102	2,118	2,103	2,113
General Government	2,769	2,765	2,723	2,777	2,692	2,706	2,687	2,840	2,919	2,975
Public Safety	3,349	3,380	3,414	3,457	3,409	3,369	3,333	3,381	3,436	3,406
Health & Social Services	6,044	5,802	5,665	5,738	5,524	5,433	5,586	5,748	5,700	5,726
	<u>16,722</u>	<u>16,443</u>	<u>16,229</u>	<u>16,449</u>	<u>16,016</u>	<u>15,839</u>	<u>15,902</u>	<u>16,283</u>	<u>16,379</u>	<u>16,445</u>

**SOURCE: Nebraska State Government - State Personnel Division - 2016 Almanac**

State of Nebraska

# OPERATING INDICATORS BY FUNCTION

2007 - 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
<b>Department of Revenue</b>										
Percentage of returns filed electronically	62.5%	66.0%	70.0%	78.0%	85.0%	88.0%	88.5%	89.9%	90.8%	90.8%
Percentage of direct deposit refunds	54.5%	75.0%	77.0%	72.0%	71.0%	80.5%	77.3%	78.9%	77.8%	78.2%
<b>Department of Roads</b>										
Percentage of Roads in very good or good condition (1)	79%	81%	79%	75%	74%	74%	74%	75%	82%	80%
<b>Conservation of Natural Resources</b>										
<b>Department of Environmental Quality</b>										
Inspections by field office staff										
Air Quality	186	129	129	133	148	139	90	82	216	184
Water Quality	999	1,158	1,147	1,384	1,502	1,591	1,801	1,113	1,396	1,552
Waste Management	179	137	140	141	146	153	172	145	135	130
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
Park visitors (1,2)	10,193,030	9,910,097	8,780,619	10,441,504	9,703,332	10,597,549	11,684,965	12,426,891	11,654,110	N/A
Hatchery fish raised (in millions) (1)	25.6	22.8	35.6	46.4	35.5	40.4	39.4	48.6	49.7	N/A
<b>Education</b>										
<b>Department of Education</b>										
Fall Enrollment										
Pre-K to 12th grade	291,111	292,497	295,352	298,550	301,317	303,505	307,677	312,635	316,015	N/A
State Colleges and Universities	54,211	56,355	57,867	58,751	59,089	59,117	59,689	60,217	60,765	N/A
Public Community Colleges	41,035	43,146	46,153	49,052	47,542	44,899	42,005	39,484	39,107	N/A
<b>Health and Social Services</b>										
<b>Health and Human Services</b>										
Child Support Payments										
Number of Payments Received	1,383,619	1,444,202	1,471,974	1,483,868	1,486,397	1,517,767	1,505,288	1,381,831	1,513,974	1,537,522
Number of Payments Disbursed	1,202,635	1,156,102	1,312,748	1,332,638	1,362,598	1,387,684	1,379,810	1,400,860	1,414,213	1,415,392
Medicaid (average monthly)										
Medicaid recipients	201,009	203,513	208,696	224,459	235,353	237,543	240,639	235,496	235,355	232,795
Percentage of Nebraska population	11.3%	11.4%	11.6%	12.3%	12.8%	12.8%	12.9%	12.5%	12.4%	N/A
Food Stamps (average monthly)										
Number of households	51,915	52,162	55,178	68,098	75,460	76,776	78,743	78,051	76,989	78,370
Percentage of Nebraska households	7.3%	7.3%	7.7%	9.3%	10.2%	9.6%	9.8%	9.6%	9.4%	N/A
<b>Public Safety</b>										
<b>Department of Correctional Services</b>										
Inmate population (average monthly) (1)	5,222	5,289	5,395	5,469	5,602	5,975	6,224	6,544	6,659	N/A
Percentage of Nebraska population	0.29%	0.30%	0.30%	0.30%	0.30%	0.32%	0.33%	0.35%	0.35%	N/A
Total Admissions (1)	2,902	2,801	2,709	2,648	2,956	3,258	3,351	3,242	2,608	N/A
Total Releases (1)	3,092	2,789	2,598	2,544	2,861	3,251	3,113	2,985	2,555	N/A
<b>State Patrol</b>										
Miles Patrolled (1)	10,348,580	10,489,515	10,161,183	10,119,800	9,360,000	10,116,896	10,166,005	9,862,217	9,858,966	N/A
Accidents Investigated (1)	2,392	1,963	2,331	2,430	2,293	1,978	2,117	1,931	2,105	N/A
<b>Transportation</b>										
<b>Department of Motor Vehicles</b>										
Motor Vehicle Registrations (1)										
Automobiles	1,122,877	1,140,386	1,147,354	1,148,305	1,158,374	1,161,629	1,174,669	1,188,368	1,205,595	N/A
Trucks										
Farm	157,282	160,264	162,778	165,760	171,458	173,649	176,910	177,796	180,150	N/A
Commercial / Other	388,098	389,686	392,120	396,004	400,746	403,846	411,037	417,049	428,617	N/A
Motorcycles	43,387	49,191	50,322	51,359	53,773	55,461	55,833	55,475	55,585	N/A

**NOTES:** (1) Data is provided on a calendar basis.  
(2) Park visitation is counted in daily visits.  
N/A - Not Available

**SOURCE:** State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

State of Nebraska

# CAPITAL ASSET STATISTICS BY FUNCTION

2007 - 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
<b>Department of Administrative Services</b>										
Buildings	283	291	288	283	278	277	271	266	267	263
Vehicles	1,371	1,093	1,134	1,075	1,077	1,083	1,007	1,050	1,058	1,046
<b>Conservation of Natural Resources</b>										
<b>Game and Parks Commission</b>										
Acres of state park and wildlife land (in thousands)	149	149	149	150	150	151	152	152	152	154
<b>Culture - Recreation</b>										
<b>Game and Parks Commission</b>										
State Parks	8	8	8	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	9	9	9	9
Recreation and wildlife areas	322	325	327	328	323	321	322	322	347	350
Fish hatcheries	5	5	5	5	5	5	5	5	5	5
<b>Education</b>										
<b>NETV Commission</b>										
Towers, antennas and transmitters	60	60	42	42	42	42	42	42	42	45
<b>Public Safety</b>										
<b>State Patrol</b>										
Pursuit Vehicles	351	474	474	432	384	436	486	486	526	339
<b>Department of Corrections</b>										
Buildings	126	143	135	131	134	135	134	130	150	149
<b>Transportation</b>										
<b>Department of Roads</b>										
Highway miles (calendar year)	9,949	9,949	9,949	9,950	9,945	9,946	9,946	9,945	9,942	N/A
Heavy trucks, plows and graders	1,072	1,053	1,120	1,095	1,109	1,063	1,054	1,052	1,022	1,025

**NOTE:** Other agencies, including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

**SOURCE:** State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

## State of Nebraska

# MISCELLANEOUS DATA

June 30, 2016

---

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)

**SOURCE:** Nebraska Blue Book, 2014-2015.

## **Acknowledgments**

The State Accounting Division of Administrative Services prepared the Comprehensive Annual Financial Report. The following State Accounting Division staff were key members in the preparation of the report:

Sheryl Hesseltine  
Jennifer Mai  
Shannon Muffly  
Kevin Le

Special acknowledgment goes to:

All fiscal and accounting staff throughout the State whose cooperation and efforts contributed to the compilation of the financial information.

Report produced by:

State Accounting Division  
1526 K Street, Suite 240  
Lincoln, NE 68508

Report located on our website: [www.das.nebraska.gov/accounting/](http://www.das.nebraska.gov/accounting/)